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# CREDIT

## and FINANCIAL MANAGEMENT



■ FEBRUARY, 1931 ■

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Destiny, by M. C. Rorty  
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Transparent Verbiage  
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Vol. 33  
No. 2

# THE HOME INSURANCE COMPANY NEW YORK

**One Hundred Fifty-fifth**



**Semi-Annual Statement**

**December 31, 1930**

## SUMMARY OF ASSETS

|  |                 |
|--|-----------------|
| Cash in Banks and Trust Companies.....                                 | \$ 7,700,856.23 |
| Government Bonds.....  | 8,823,380.00    |
| State and Province Bonds.....  | 3,693,980.00    |
| County and Municipal Bonds.....  | 13,453,122.00   |
| Railroad Bonds.....  | 12,064,750.00   |
| Industrial and other Bonds.....  | 7,674,460.00    |
| Railroad Stocks.....   | 21,647,200.00   |
| Bank and Trust Company Stocks.....                                     | 1,562,470.00    |
| Industrial and other Stocks.....                                       | 27,891,064.00   |
| Premiums uncollected, in course of transmission and in hands of Agents | 10,715,960.01   |
| Accrued Interest.....  | 655,715.00      |
| Other Admitted Assets.....   | 1,013,168.00    |

(Note: Securities at Actual Market Values, Dec. 31, 1930.)\*

**\$116,896,125.24**

## LIABILITIES

|  |                   |
|--|-------------------|
| Cash Capital.....                                      | \$ 24,000,000.00† |
| Reserve for Unearned Premiums.....                     | 40,721,992.00     |
| Reserve for Losses.....                                | 6,750,960.00      |
| Reserve for unpaid Reinsurance Premiums.....           | 981,267.71        |
| Reserve for Taxes.....                                 | 1,750,000.00      |
| Reserve for Miscellaneous Accounts due and unpaid..... | 200,000.00        |
| Reserve for Contingencies and Dividends.....           | 5,000,000.00      |

**NET SURPLUS..... 37,491,905.53†**

**\$116,896,125.24**

**Surplus as regards policy-holders..... \$ 61,491,905.53†**

\* A complete list of investments will be mailed to stockholders shortly.

## DIRECTORS

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WILLIAM IVES WASHBURN  
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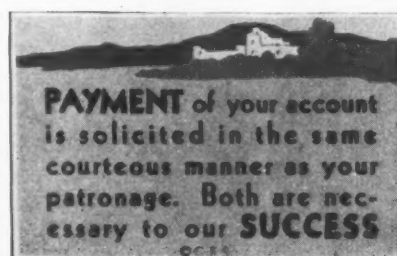
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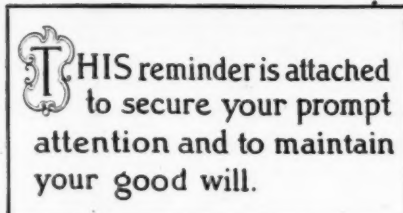
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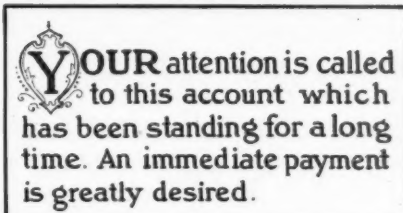
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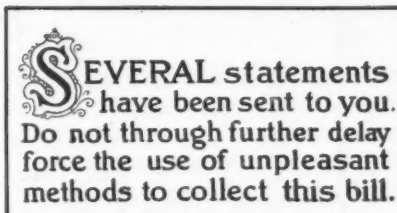
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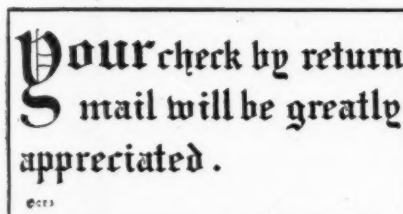
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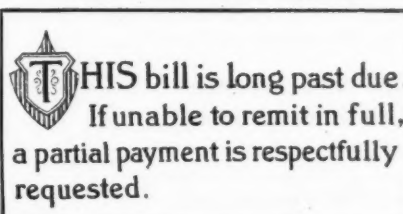
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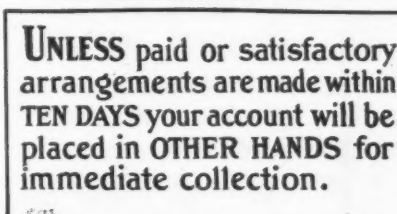
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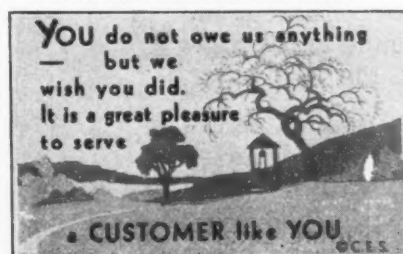
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FEBRUARY, 1931

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One of our subscribers, the vice-president of a bank says:

"It is the best magazine that I know of for those interested in credit problems."

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# CREDIT

## AND FINANCIAL MANAGEMENT

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A dynamic personality, Patrick J. Hurley, U. S. Secretary of War is introduced to readers in an interview by Chester H. McCall. This article refutes a popular misconception about the War Department and gives a true picture of this important branch of the government and its executive head.

Alvan T. Simonds, president of the Simonds Saw & Steel Co., Fitchburg, Massachusetts, who is one of the leading economic thinkers of New England asks and answers the question, "Why Business Depressions?"

An article which describes the Military Intelligence System of the U. S. Army and sketches a plan for the adoption of its methods and principles in credit administration is the contribution of Major George J. Starr, Reserve, U. S. Army, who is now a member of the Fraud Prevention Department of the N. A. C. M.

T. J. McNamara, Standard Accident Insurance Company, traces the origin and development of hand-shaking in an interesting article entitled, "How Much Does a Hand-Shake Weigh?"

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#### CHESTER H. McCALL, Editor and Business Manager

S. Raphael    ■ Clifford T. Rogers    ■ Simpson-Reilly    ■ Philip J. Gray    ■ F. M. Ferguson  
Associate Editor    Advertising Manager    Pacific Coast Representatives    Western Advertising Manager    Circulation Manager

**CREDIT  
and  
FINANCIAL  
MANAGEMENT**  
Feb., 1931

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**Vol.  
XXXIII  
No. 2**

we thank our readers  
for our new name:

# CREDIT and FINANCIAL MANAGEMENT

**W**E thank our readers for asking us to change our name from CREDIT MONTHLY to CREDIT AND FINANCIAL MANAGEMENT. A great many readers all over the country have sent in letters stating that the name CREDIT MONTHLY is not truly descriptive of the contents of the magazine and the reader group which the magazine reaches. Directors of the National Association of Credit Men at their last meeting passed a unanimous resolution that CREDIT MONTHLY's name should be changed to one that more appropriately described the executive reader group of the magazine.

A survey recently made shows us that 79 per cent. of the magazine's readers have financial management responsibilities in their companies, besides their commercial credit responsibilities. The survey also disclosed that 84 per cent. of the magazine's readers are officials of their companies.

The new name, CREDIT AND FINANCIAL MANAGEMENT, clarifies the editorial scope and purpose of the magazine and accurately describes the executive group of readers which looks to its professional magazine for information necessary to the proper administration of credit and financial duties.

The editorial purpose of CREDIT AND FINANCIAL MANAGEMENT is to present information and helpful content on every phase of credit and financial management. The financial management articles will be related to the commercial credit picture, the banking credit picture and specifically to financial administration as it concerns the financial officer of every company.

J. J. Fields in a very striking statement said:

"Smite this ideal, Credit, that impenetrates the land, and you would paralyze the prosperity of the country. It is the same as if you arrest the pitch of waterfalls, and smother the breezes that ruffle the deep, and wilt the fierce energy of steam, and unstring the laborer's arm, and quench the furnace fires, and stop the hum of wheels, and forbid emigrants to seek the West, and cities to arise amidst the silence of the woods. Shake credit and there is an earthquake in society."

CREDIT AND FINANCIAL MANAGEMENT is dedicated to improving and aiding this vast motive power, which, if shaken, would cause an earthquake in society. It is the only magazine which is required by a constitution to devote its efforts to the elimination of credit wastes and to the reduction of our burden of bad debt losses by helping business increase its credit and financial efficiency. The magazine's efforts in these broader fields will continue and still greater effort will be put behind its co-operative program in such matters as national bankruptcy problems and the investigation and promotion of legislation that is indispensable to the proper functioning of the country's credit and financial machinery.

We thank our readers for asking us to change our name and we feel certain that the new name, CREDIT AND FINANCIAL MANAGEMENT will be more truly descriptive of the editorial purpose and content of the magazine and the executive reader group which it serves.

# broncho-buster psychology



**"Y**OU can't learn to ride a horse unless you've been bucked off a great many times," said the tall, lean, leathery broncho-buster who taught me how to ride a horse.

A world's champion buckaroo, who won the riding championship at the Pendleton, Oregon, Round-Up three years in succession once told me, "There is one thing I know about riding better than anything else. That is how to hit the ground when I'm bucked off." Yet this cowboy champion had not been thrown from a horse for seven years. Twisters, corkscrews, snorters, bronchos that would rather buck than eat—this buckaroo champion rode them all through nine years of competition in the Calgary Stampede, Cheyenne Frontier Days and Pendleton Roundup. The very fact that he knew how to hit the ground when he was thrown made him a much greater rider because having no fear of being "bucked off" gave him iron confidence and enabled him to concentrate his faculties on the business of riding his horse well instead of keeping from getting thrown. And if he did get thrown he knew how to "take the fall," get back on the horse again and ride him to a standstill.

This may be "broncho-buster psychology"—but think it over! What this country needs is more "broncho-buster psychology." Business men need to know how to take it and come back for more.

Prosperity softened us to the extent that we didn't know how to take it. The depression broncho bucked us off but we didn't know how to hit the ground.

Dislocated shoulders, fractured arms, skinned noses, sprained ankles resulted. The country has had a surplus of prosperity-executives—executives who have succeeded behind the impetus of production and sales expansion and the pressure of a sweeping upward trend in the prosperity curve. This curve, like a tidal wave, has carried all with it—the bad and incompetent riding the high crest with the good and competent.

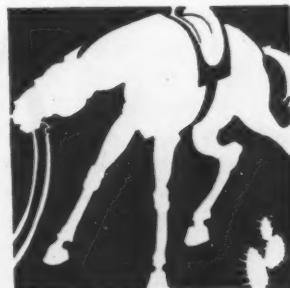
Depressions are often floods of surpluses instead of droughts of utilities. The depression from which we are emerging has been one of surpluses—and particularly a surplus of executives who haven't the stamina, skill and persistence characteristic to broncho-buster psychology. Fair-weather executives are almost as numerous as fair-weather friends. The depression has made one valuable contribution to business progress, it has shown up the fair-weather executives and given management a more accurate measurement of what a good executive should be.

Just as the buckaroo champion said, "There is one thing I know about riding better than anything else. That is how to hit the ground when I'm bucked off," so should the competent executive say, "There is one thing I know about business better than anything else. That is how to 'take it' when a depression comes and if I'm 'bucked off' get back on the depression broncho and ride him to a standstill."

Give us more broncho-buster psychology!



*Chester H. McCall*





# THE TELEGRAM IS A TESTED MEDIUM FOR COLLECTING OVERDUE ACCOUNTS

## "A Telegram stirs up a debtor"

WILLIAM FRASER, President of the National  
Association of Credit Men.

"We use telegrams for collecting overdue accounts and have found them quite efficacious. It would seem that when a debtor gets a telegram it gives him a mental shock which he does not receive upon opening a letter received in the usual course. There can be no doubt that when a debtor gets into the habit of running past due, he becomes callous to the usual forms of collection letters and even the better and more carefully constructed letters are apt to create little impression. . . . The receipt of a telegram usually stirs up a debtor to the extent of making him send something to the sender of the telegram.

## "Indispensable in Collections"

CHESTER H. McCALL, Editor and Business Manager  
CREDIT AND FINANCIAL MANAGEMENT.

"I have found efficient credit departments using the telegram as an indispensable unit in collection procedure. It can be effectively fitted to each particular case. The time element where large sums of money are involved makes the telegram a money-saving device of real significance.

"There are few executives who any longer feel that the telegram is an expensive message, in fact, it is being widely considered as a distinctly economical and effective method of collection if used in the right stage of collection procedure. There is every indication that the use of telegrams in credit, collection and financial work is entering its greatest period of expansion and effectiveness."

# 7 REASONS

## why telegrams are efficient collectors of overdue accounts.

- 1 The telegram saves time and money because it brings quicker results.
- 2 It goes *direct* to the man to whom it is addressed.
- 3 It is given his personal and preferred attention.
- 4 It impresses upon him the importance of the message.
- 5 It stresses the imperative need for payment.
- 6 It urges immediate action.
- 7 It is inexpensive—collections by Telegram frequently cost less than 1 per cent. of the amount due.

Postal Telegraph cooperates with you in obtaining answers to collection requests sent by telegraph. Money order blanks are enclosed in such telegrams and stickers are pasted on advising the recipient that immediate reply is wanted.

# Postal Telegraph

All America Cables



Commercial Cables

Mackay Radio

CREDIT AND FINANCIAL MANAGEMENT

When writing to Postal Telegraph please mention Credit and Financial Management



## "up pops the devil!"

BY DR. STEPHEN I. MILLER

Executive Manager, N. A. C. M.

**T**HOUSANDS of people sit on the porch of the Inn in Yellowstone National Park, watching for the eruption of "Old Faithful." The traveler is never disappointed. "Old Faithful" spouts with the regularity of the sun, moon or tide.

With considerable regularity the United States entertains a business reaction, a depression, or even a crisis. It would seem that a certain length of time is necessary to accumulate an overload of inventory, speculation, cut-throat competition, waste and foul business practice. Like "Old Faithful," the business structure must throw off

an overload of uncontrolled energy—we call it liquidation. The parallel ends here, for "Old Faithful" belches forth good, clean water, while periodically the business world pours out a stream of incompetence.

Incompetency expresses itself in many different roles. It may come rough, in the impudence of a policeman, ticket seller, street car conductor, clerk or taxicab driver; it may come in unprofitable farming, manufacturing, financing, merchandising; it may come subtly, in the failure to recognize the constructive interest of labor, stockholders and the public; it may express itself in cut-throat or even vindictive price slashing; in ruthless "customer stealing" or in destructive "terms grabbing."

When standards begin to fall the profession of business becomes a game played with the lights out. Make a note of what some of the boys are doing in the back alley: "It is needless to say to you that the more liberal your terms the more favorably will we consider your proposition"; and again, "the cash discount period must be liberal or the cash discount is not attractive"; and even again, "if you will bring your business to me I will be glad to loan you the necessary funds to meet the bills that you now owe my competitor."

It may be too much to expect that the buyer will withhold that last punch to the heart of business integrity. But it is deplorable that the seller does not have enough lime in his backbone to defend himself and his profession.

FEBRUARY, 1931

# Doak:

This article introduces to business executives William N. Doak, the new Secretary of Labor, and sets forth his ideas on Employment and Unemployment, Management, Capital, and Mass Production and Distribution.



Photo  
Harris  
& Ewing

William N. Doak, Secretary of Labor

an interview by CHESTER H. McCALL

**W**ILLIAM N. DOAK is the first United States Secretary of Labor to be a native born American. His full name is William Nuckles Doak. It is too bad that the middle name is not spelled "Knuckles" because it would offer such an excellent opportunity for symbolizing the new Secretary of Labor and some of his attributes.

Everyone has heard the phrase "knuckle down", which means to get down to work in earnestness and "get somewhere" as a result of one's own efforts and initiative. It is the opposite of that other fairly well-known expression "buckle down," which implies that one is forced to get busy regardless of initiative and any inherent propensity to work and "get somewhere." William N. Doak is labor's representative and ambassador in the councils of our government because he has always "knuckled down."

Work has been virtually a religion with the new Secretary. He lived on a farm in Virginia until he was eighteen. On the farm he went through real, honest-to-God, old-fashioned labor. He left the farm to become a railroad switchman—and has been with the railroads ever since. He has long been a vice-president of the Brotherhood of

Railway Trainmen. At the time of his appointment to the cabinet he was a legislative representative for that organization as well as being Editor of "The Railroad Trainman," the official publication of the Brotherhood. He brings with him to the Department of Labor the reputation as a mediator in labor troubles and tangles. He brings with him "knuckles" that have been skinned and scuffed by hard work and a life of wage earning. At the same time he brings to his important position a mind that is keenly perceptive and that is guided by strong humanitarian tendencies. This statement is not made with the intention of giving the usual praise that an article of this kind is supposed to give, but is offered as an actual revelation of the ability and attitude of the man who is at the head of the United States Department of Labor.

Almost everyone will recall the stand taken by the American Federation of Labor in insisting that the labor portfolio in the Hoover Cabinet should be held by a member of that organization. There is probably no single appointment that President Hoover could have made that would have placed in this important Cabinet position a man whose qualifications for administering the labor problems of this country are so excellent. Every business man will be high-

ly pleased to know that the new Secretary of Labor approaches every problem from three angles: Capital, Management and Labor. Most labor leaders are prone to consider labor problems from their own restricted viewpoints. One of William N. Doak's greatest strengths is his ability to coordinate successfully these three factors of our economic structure and relate his administration of labor problems to Capital and Management. This mental attitude and habit was evident in nearly every answer the Secretary gave to my questions.

About a year and a half ago, it was my privilege to interview James J. Davis in the same office that I saw Secretary Doak. There is no necessity for making a comparison between the two men, but every business man is entitled to know that the new Secretary's background, experience and thinking insures this country an administration that should prove as sound and successful as that of Mr. Davis.

Before relating what Mr. Doak told me, it is appropriate to tell something about his personal characteristics. A life of vigorous work and vigorous experience usually develops a vigorous vocabulary. This is true in the case of Secretary Doak. I asked him what his hobby was and he answered that he had no particular diversion or avocation that might be classified as a hobby. Does he play golf? He has played some golf, but has not picked up a club for about two years. Since coming to

CREDIT AND FINANCIAL MANAGEMENT



# man of labor



"The future of industry and business depends upon the purchasing power of the consumer."

Washington, he has purchased a place out in the country where he spends as much of his time as possible. He is very fond of dogs, birds and gardening and finds relaxation in these interests. He reads quite extensively but did not specify any particular classification of reading that he likes the best. Mr. Doak is forty-seven years old as is Secretary of War Hurley, these two being the youngest men in the Cabinet.

Secretary Doak has accepted the labor portfolio at a time when the country is facing one of the most severe employment crises in its economic history. The work of the nation-wide network of Labor Department organizations has never been so important as at the present time. There are employment programs throughout the country to be co-ordinated, relief work to be administered, and a careful check made on exactly what is happening throughout the country and how fast we are going back to work. From the Labor Department I procured figures on the national employment for January which are indicative of how business is progressing and of how rapidly the upturn may be expected.

Secretary Doak told me that the country is divided into nine districts, each one headed by a District Labor Office presided over by a director. "This director," Secretary Doak said, "has many contacts throughout his district and at all times has his finger right on

the pulse of employment. In addition to this, these district directors give a careful study to industries in their particular districts. The growth, development or progress of a particular industry is of course a definite index of present and prospective employment. This information is gathered by the United States Employment Service Division of the Department of Labor and printed in magazine form. The Industrial Employment Information Bulletin may be obtained by any business men who care to write to the Department of Labor and ask to be placed on the mailing list for this valuable publication.

"I have before me the Bulletin for December and to give you an idea of how this material is reported, I might read the first paragraph to you: 'Manufacturing activity remained below normal in many sections of the country. Curtailed operating schedules prevailed in the larger industries and many establishments reported a further reduction in forces. The month of December is generally recognized as one in which inventory taking is started and repairs to plant equipment are made and, in many instances where inventory work was under way, operations in the plants were necessarily stopped, which meant the release of thousands of workers for a temporary period. Winter-weather conditions interfered with all outdoor work in practically every State. Highway construction was curtailed in many



"The principle . . . must be applied in every size and line of business."

localities and a large number of men were released from employment. The volume of building decreased and unemployment among building-trades men was a problem in a number of larger cities. Agricultural work which offers seasonal employment to thousands of men was practically at a standstill. After these general comments are made, the cities which are in the center of a trade area are given a close and careful analysis. This Bulletin contains between thirty and thirty-five pages and is doubtless the most accurate reflection of employment conditions that is available in the United States."

After the Secretary had read the first paragraph of the Bulletin to me, I procured a copy so that the paragraph could be quoted exactly as he read it.

The paramount question in the minds of business men and laborers alike is: is the country really going back to work, and just how fast is it doing so? I put this question to Secretary Doak and he gave me some very significant figures which revealed the trend of employment throughout the country. These figures are given in the direct compilation form in which they were supplied to me and no attempt is made to interpret them. This compilation of employment figures will reveal some very pertinent trends in industry as well as offer encouragement on the unemployment situation.

Is the country going back to work? The following figures will help you answer this question:

Approximately 275 men were employed in Brownsville, Pennsylvania, during the first week of January, 1931, due to the reopening of a coke plant.

Estimates as the number of iron and steel workers that returned to their jobs in the Mahoning and Shenango Valley plants of the iron and steel industry between the 1st to the 15th of last month are placed at 5,000 men. This increase in employment was due to an expansion of operations in the various mills in the western part of Pennsylvania and in some of the plants located in Youngstown, Ohio.

Increased operations in the automobile plants of Flint, Michigan, during the first ten days of last month were responsible for the recalling of 1,700 automobile factory workers.

Large numbers of shopmen returned to work on several of the Southern Railroad Lines early in January, 1931. Eight hundred and fifty workers were recalled at El Paso, Texas. Four hundred men returned to work in the shops at Paducah, Kentucky. More than 1,000

men resumed work in the railroad shops at North Little Rock, Arkansas.

Six thousand furloughed workers were recalled in Dayton, Ohio, plants on the 2nd of last month.

Six thousand workers were recalled at one plant in Elizabeth, New Jersey, on the 9th of last month and given employment on a four-day week basis.

Seven thousand railroad shopmen returned to their jobs in Chicago, Illinois, during the first nine days of January, 1931.

Six thousand automobile-factory workers went back to work at Lansing, Michigan, on the 5th of last month. Approximately 2,000 former employees were recalled to their jobs in Martinsburg, West Virginia, on the 12th of last month.

Four thousand furloughed workers returned to their jobs in Camden, New Jersey, the first three days of the week ending January 10, 1931.

Two hundred and fifty railroad shopmen were recalled to their jobs in Augusta, Georgia, on the 7th of last month.

Four hundred railroad shopmen were reemployed the first ten days of January in San Francisco, California.

Approximately 1,000 men were employed the second week of January, 1931, in connection with dredging operations and harbor improvements on the Delaware and Schuylkill Rivers in and surrounding Philadelphia, Pennsylvania.

Three hundred and twenty-five railroad shopmen resumed their jobs on the 19th of last month at Shawnee, Oklahoma.

One hundred and fifty workers returned to employment in Pittsfield, Massachusetts, the week ending January 17, 1931.

One thousand six hundred men were recalled in certain automobile factories in Detroit, Michigan, the latter part of December, 1930, and the first few days of January, 1931.

Approximately 750 men were recalled in certain steel and automotive plants in Buffalo, New York, during the first three weeks of January, 1931.

More than 250 men were given employment in Portland, Oregon, during the week which ended January 31, 1931.

Two hundred and fifty men were recalled to their various jobs in Uniontown, Pennsylvania, during the first week of January, 1931.

Six hundred and fifty automobile workers went back to their jobs in Columbus, Ohio, the second week of the last month.

Two hundred and twenty-five glass factory workers were recalled to employment in Rossford, Ohio, on the 12th of last month.

Approximately 320 coal miners were recalled to their jobs on the 19th of last month in the coal fields surrounding Clarksburg, West Virginia.

Whenever unemployment reaches such a critical stage as it has during the present depression, proponents of unemployment insurance come forward with their arguments. When I asked Secretary Doak what he thought of unemployment insurance he answered: "This is a highly controversial question and we are making a close study of it from every angle. We have not, however, made any official statement as to the government's stand on unemployment insurance and I am not in a position at this time to give you my personal viewpoint on the question, because my personal viewpoint is necessarily related to the government's position on the matter. Unemployment insurance is as debatable as the Prohibition question. There are so many factors involved in unemployment insurance and its relation to the general economic picture that I do not feel that I can make any commitment on that subject at this time."

"Then, Mr. Secretary," I said. "Are you in favor of the so-called Federal-State funds which are to be built up during prosperity as a reserve in times of depression for use to aid and stimulate employment?"

"The principle of the formation of a fund or funds of this kind is basically sound. It is intended that these funds should be diverted to State and Federal building programs which would of course give employment to large numbers of men. Any concerted program of this kind would of course make unemployment insurance unnecessary. However, at the present time, State and Federal building projects are being carried on to an extent that is probably as great as it would be under any program of this kind. The Federal building programs that are now in force throughout the country are doing a great deal to reduce unemployment, and while some system of Federal and State funds built up during times of good business for this purpose is commendable, I feel that our government will always be in a position to meet an unemployment emergency as it is meeting this one and speed up all of its building and contracting programs in order to put more men to work and improve current eco-

(Continued on page 38)



# fear:



## the unwritten coverage

By G. G. INGLEHART

Agency Secretary,  
Agricultural Insurance Company,  
Watertown, New York

**T**HE modern business world has come to depend, perhaps more than it actually realizes, on the various kinds of insurance which are put at its disposal. The foresighted man will see to it, that when the course of his activities is interrupted, he will have some considerable portion of his loss made up to him. He goes to his insurance agents and protects himself against a variety of disasters. He knows that even before

he can get credit, he must take steps to secure his creditors from loss in case any one of many possible accidents to his business occurs.

He has come through habit and a not unnatural manner of thought to look upon stock insurance companies as organizations in the business world, having an existence independent of himself, to which he can go, pay a more or less established price and get back certain values—credit, peace of mind, indemnification in case of loss of property, time or health. No one can fail to recognize that the business structure of the world as we know it, could never have come into being without some such aid and support as insurance furnishes, and that it would

instantly collapse without it.

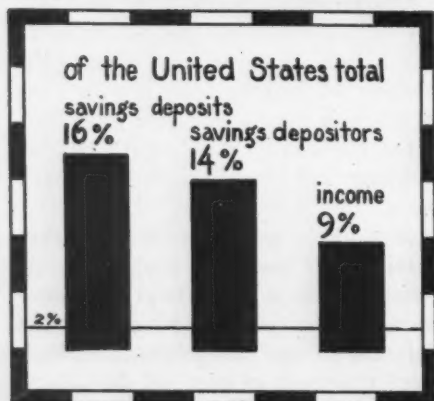
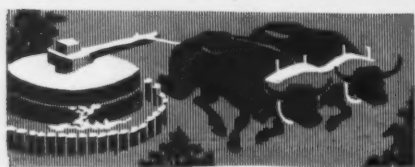
In this world of giant business organizations with their military like impersonality, it is not unnatural that the individual should overlook the fact that his relation to the business of insurance is decidedly more personal than is the business of making steel rails or canning fruits if he is occupied in making rayon stockings. And yet the relation is closer and more personal in many ways.

It would be going too far to say that "taking out" insurance is either an altruistic act or a social duty. But there is more than a trace of altruism or duty toward one's neighbors in it, both from the point of view of the origins

(Continued on page 39)

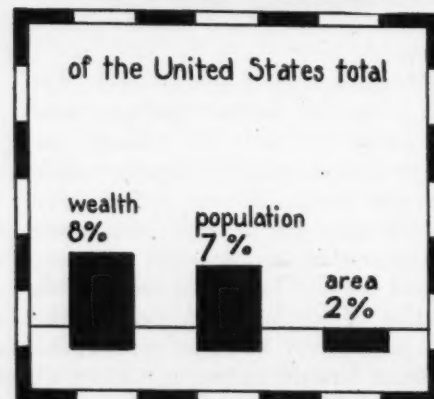


# Are you getting yours



from  
**New England**  
as a market?

An analysis by the New England  
Council of the N. A. C. M.'s  
next convention center



CREDIT AND FINANCIAL MANAGEMENT

**N**EW ENGLAND has long been known as the birthplace of American industry. It has been famous for its historic shrines and for the advantages which it offers to those seeking an education, both by reason of its many noted colleges and of its reputation as a gathering point for patrons and exponents of the Arts. Its scenic beauty and attractions have made it famous as a vacation land visited by millions of travelers from all parts of the nation. But in recent years there has been a pronounced increase in the interest of business men in New England as a market.

Although relatively small in area, New England is characterized by its unity, compactness and homogeneity. Publication by the Census Bureau of figures showing the urban population of the country to have reached 56.2 per cent., of the total, as compared to 51.4 per cent., in 1920, is of interest because of the emphasis it puts upon the desirability of the New England states as a market. Here are more people per square mile to be fed, clothed, housed, sold automobiles, radios and countless other products than in any comparable area of the country. This is adequate reason why manufacturers are finding New England a suitable site for branch plants in ever increasing numbers.

With a total population of 8,166,341 in an area of 61,976 square miles New England has two per cent., of the area and 7 per cent. of the population of the nation. The final revised census figures for 1930 show that the total population and density of population in the states were: Maine, 797,423, or 25 persons per square mile; New Hampshire, 465,293, or 50 per square mile; Vermont, 359,611, or 38 per square mile; Massachusetts, 4,249,614, or 520 per square mile; Rhode Island, 687,497, or 551 per square mile; and Connecticut, 1,606,903, or 323 persons per square mile. The Census Bureau figures show that the percentage of urban population in the New England states in 1930 was: Maine, 40.3 per cent., New Hampshire, 58.7 per cent., Vermont, 33 per cent., Massachusetts, 90.2 per cent., Rhode Island, 92.4 per cent., and Connecticut, 70.4 per cent.

As a result of three hundred years of industrial progress, this small section of the country, with its two per cent. of the area and seven per cent. of the population, has eight per cent. of the wealth and sixteen per cent. of the savings deposits of the entire United States. The income of New England represents nine per cent. of the income of the na-

tion and fourteen per cent. of the savings depositors in the country are in New England.

Highly industrialized as it is, New England is a rich market for producers of industrial goods. The extent of this market may be judged from the purchases of New England industries, which in 1927 expended a total of \$3,048,863 for manufacturing materials. In this figure are included the cost of fuel, power and supplies in addition to the cost of raw and semi-finished materials.

The new plants built by the public utilities of New England during the past five years since 1925, to provide service for the industries and homes of the section, may be taken as some indication of the expansion expected by the leaders of these great utilities. The power companies of New England have invested 350 million dollars in new power stations and equipment, and in the near future, when stations now nearing completion are finished, more than 1,000,000 horsepower will have been added to New England's power resources in five years.

The railroads of New England have spent 180 million dollars for improvements since 1925 and great new freight yards and passenger terminals have been built in Boston and other important distributing points.

Telephone companies have spent \$201,500,000 since 1925, for plants and equipment; expenditures for industrial buildings in the same period total \$223,000,000 and for commercial buildings \$297,000,000. The total capital investment represented by these five sums amounts to \$1,251,500,000.

The industries and public utilities of New England consume a tremendous volume of fuel annually, amounting to about 20 million tons of bituminous coal valued at approximately 80 million dollars. In addition to the coal about 840 million gallons of fuel oil are used by the manufacturing concerns and public utilities. In regard to the great quantity of oil consumed, it is interesting to note that an announcement recently appeared in New England papers to the effect that one of the largest oil companies of the nation is planning to construct a pipe line from tidewater at Providence, R. I., to Worcester and Springfield, Mass., where the company has plants. This pipe line, which according to the announcement will be built this year, will be the first of its kind in New England. One other pipe line exists—that used to carry gas from New Haven, Conn., to Hartford.

The iron and steel industry within New England is negligible, which fact coupled with New England's extensive development industrially, particularly in the field of machinery manufacturing, results in an extensive market for iron and steel products. These six north eastern states consume about 1,800,000 tons of iron and steel products a year. There are many small manufacturers in the region manufacturing such products as ice boxes, stoves, automobile bodies, boilers, cans, metal furniture, metal building trim and sash, etc., who consume about 190,000 tons of sheet steel each year. This demand for sheet steel, particularly in the heavy machinery industry, is greatly on the increase.

New England shipbuilders and shipyards made their fame world-wide before and during the days of the Yankee clipper, and the modern shipbuilders are still upholding and increasing this fame, many of them in the same towns where their forefathers introduced this industry which was destined to become synonymous with New England. The old shipyards of Bath, Me., are still turning out ships of rare quality, having built several of the most luxurious and modern yachts now afloat. The same yard recently received contracts for six new ships for the United States coast guard. In Quincy, Mass., some of the largest passenger vessels ever built in this country have been launched, and others are now on the way. This industry requires the use of much structural steel and combines, with gas and water works, locomotive and car repair shops, and the building industry, to use 61,000 tons of steel plates annually.

Large quantities of wire rod and wire products are also consumed each year in the manufacture of nails, screws, wire, fencing, tool handles and for other purposes. In this way about 340,000 tons of wire products are consumed yearly, according to estimates.

In addition other iron and steel products are used in approximately the following amounts annually:

|                        |               |
|------------------------|---------------|
| Steel bars             | 582,000 tons. |
| Blooms, billets, slabs | 33,000 tons.  |
| Pig iron               | 630,000 tons. |

Other metal industries, using non-ferrous metals consume about 310,000 tons of brass, copper, and tin, as well as precious metals to supply the jewelry manufacturing industry which is of appreciable size.

With few exceptions, none of the New England metal industries start the manufacturing process with the refining of the metallic ore. The greater

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**M**R. C. JOHNSON, of Johnson's Midway Pharmacy, Aurora, Illinois, has increased his profits \$1,296.60 in three months by modernizing his drug store.

The modernization included store arrangement according to modern open display principles; stock control in the toilet goods, stationery, and proprietaries and patents departments; budget control; sales promotion and employee training.

Before the work of modernizing the store was begun an analysis of the stock and of existing conditions was made.

Toilet goods were located in four different sections of the store. A large tier stand covered with miscellaneous items in great disorder greeted the customer entering the store. Located behind, this tier stand were three soda tables. These fixtures were in a formation occupying the central part of the store.

Show cases extended along the right side of the store directly up to the window. Merchandise was piled on the show cases and completely obstructed the customer's view of the side wall shelving.

The wall shelving in back of these show cases was devoted to toilet goods and proprietaries and patents. No system was used in locating the merchandise in this department. For example, cough and cold remedies, a good seller, were located in the front of the store. This made extra steps for the sales people and reduced customer circulation.

This drug store is a neighborhood store and a branch post office. The post office department was located on the wrapping counter on the right side near the rear of the store.

The gift department was in the rear of the store on the left hand side. All gifts were kept behind glass in a wall case.

On analyzing the stock it was found to be very heavy,—about \$13,000. Stock was entirely out of proportion to sales.

Some of the inventories were:

|                         |          |
|-------------------------|----------|
| Tooth brushes           | \$217.50 |
| Face Creams             | 401.72   |
| Face Powders            | 440.05   |
| Talcum Powders          | 243.71   |
| Cough and Cold Remedies | 824.95   |
| Antiseptics             | 146.64   |

## a \$1200 increase in profits means a substantial increase in retail credit rating

BY A. J. LUTHER

A check of the basement showed a \$4,000 stock that was almost entirely an over-stock. A considerable part of the candy, soap, canned goods and miscellaneous stock had spoiled or become unsaleable because of soilage. The same item was often stored in two or three different places in the basement. Many times additional stock was ordered when there was a remaining supply. Related items were not stored in the same section, and no record was kept of the supply or location of any merchandise.

Many items were found that had been bought five or six years ago. The turnover on stock was probably less than once a year. No type of stock control was being used and the book-keeping was only a record of checks showing a bank balance. A record was kept of payments made but there was no record of purchases.

Salespeople did not make sale suggestions and were not well versed in

the selling points, price, or location of merchandise.

The re-arrangement of the store was the first remedial step taken in modernizing the store. Five modern open top display tables in an island formation were placed in the center of the store where the soda tables and tier stand had formerly been located. These tables were divided into compartments and a price stand containing a talking sign or show card was placed at the rear of each compartment.

The show case on the right side was moved to the left side and to the rear of the cigar and candy cases. The post office department was transferred to this case. The interior of the case was used to display gifts. Customers transacting business at the post office could not fail to see this display of gifts.

All toilet goods were brought together and displayed on the wall shelving in the front of the store on the right hand side of the entrance. This shelving was left open and the customers can now walk directly up to the display and select their own merchandise.

All other related lines were brought together and placed in a particular section of the store. A large percentage of the merchandise was removed from the show cases and the tops of the wall shelves.

The basement stock was sorted and related items placed in a separate sec-

before—



CREDIT AND FINANCIAL MANAGEMENT



# more twins?

Yes, sirl More twins! Credit and Insurance are twins; Credit and Accounting are twins. Now we are presenting a third pair of twins: Credit and Business Service. Constructive aid in helping your customers build their profits is so synonymous with the up-building of their credit that the two are twins. Business Service by the wholesaler and manufacturer to the retailer is a most significant development in modern credit management.



ping counter. All clerks were given definite instructions to list any "out" item immediately. The "want book" was checked the first thing every morning and a supply of the out of stock items was ordered immediately. With the unit stock control system and the want book the number of "outs" was reduced to a negligible quantity and a superior service rendered customers.

The transfer of the post office department did away with the congestion around the wrapping counter. This main wrapping counter is located on the right hand side near the rear of the store and in front of the proprietaries and patents departments. The fast selling demand items in this department were grouped as much as possible directly behind the wrapping counter to save selling time.

The base of the entire right hand wall section that contains the proprietaries and patents has a series of drawers containing associated merchan-

dise. These drawers were numbered and a book system showing the location of every item in these drawers was installed. A similar system had been in effect at one time but had not been kept up and in many cases the same merchandise was to be found in two or three different drawers.

A budget for 1931 was set up. The lack of records made it necessary to work this budget out backwards based on a reasonable sales volume.

Special sales were put on in order to promote sales and to move the surplus stock.

Ninety-six items were offered at a special price during the first sale. This sale lasted two days. Hand bills advertising this sale were distributed to every home in the section of the city surrounding the drug store. Bargain boxes for men and for women were featured during this sale. These boxes contained a miscellaneous assortment of items with a retail value of \$2.00 and were priced at 69c. The merchandise in these boxes consisted mainly of the over stocked and slow moving items. Sixty of these boxes were sold during this sale.

A one cent sale was also put on and an exceptional sale of dental preparations resulted. This line was one of the most overstocked in the entire store.

The four star plan of advertising was used in connection with these sales and has been used in all advertising since then. This plan consists of featuring a limited number of items in outside advertising (newspapers, by hand bills or direct mailing); featuring advertised items in window displays; prominent interior displays and sales suggestion by the sales people.

Weekly meetings were held for employee training. The importance of customer greeting and the selling of large sizes and overstocked items was stressed. The salespeople practiced this type of selling and it resulted in a much larger unit of sale. All salespeople were enthusiastic over this training and endeavored conscientiously to carry out the principles taught in their own retail selling.

The sale of gifts was greatly increased by displaying them in the show case over which the post office business is transacted. All items are where

(Continued on page 41)

tion in the basement. Each section was plainly numbered and an index book made showing the location of each item by section and shelf.

A unit stock control system was then installed in the toilet goods, stationery and proprietary and patents departments. By careful buying and proper sales promotion the stock was reduced considerably.

During a two weeks' test period eighteen items called for were found to be out of stock. A "want book" was installed and fastened to the wall shelving directly in back of the wrap-

—after

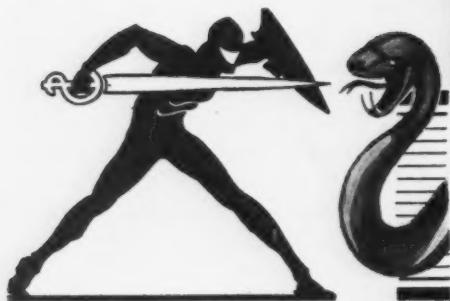


FEBRUARY, 1931

# escape?



Photo Blank-Stoller



Escape—from what? From the toils and coils of the depression? Can there ever be such a thing as an end of the business cycle and an escape from its toils?



MERRYLE STANLEY RUKEYSER, the author of this business cycle analysis and interpretation is the writer of a daily financial column for the New York American and over one hundred newspapers of the Universal Service. He writes extensively on financial and business subjects for national magazines and contributes a monthly department to "Nation's Business". He is the author of three books—"Financial Advice to a Young Man", "The Common Sense of Money and Investments", and "Investment and Speculation". He is an associate in Journalism at Columbia University and is internationally recognized as one of the leading interpreters of economic and financial facts and conditions.

**S**INCE the turn of the year, business sentiment has improved to the extent that it has again become fashionable to think that the cycle theory is operative.

In December, when pessimism reached a climax, it was widely assumed that the business cycle had been adjourned, and that the sun of prosperity would never rise again. This gloomy belief was the converse of the naive assumption during the earlier boom that the business cycle had been adjourned, and that this happy hunting ground of ours would forever be free of the pains of depression and liquidation.

Curiously enough, these irrational vacillations are nothing new, but are common to shifting states of prosperity and depression in past epochs.

As business began to bump the trough late in the Autumn, Stuart Chase, writing in the sedate *Saturday Review of Literature*, articulated the viewpoint of the financial Jeremiahs. Quoting "one of the most intelligent journalists in America," Mr. Chase described the views of the unnamed as

follows: "We have come to the end of an epoch. This depression is not the usual downswing of the business cycle, it is the cracking up of the whole American formula of prosperity, mass production, high wages, high pressure selling, instalments, service, and bigger and betterism. The bally thing won't work; it's gone into a nose dive; it's crashed, and God knows if we can ever get into the air again. We can't with that ship; it's a hopeless wreck. And there is no other in sight . . . anywhere. Mark my words, when the history of this century is written, October 29, 1929, the day that thirty billions went whistling out of Wall Street, will mark the end of an epoch."

Stuff and nonsense!

The contemporary equivalents of such statements were made about the future of American business in 1873, 1893, 1903, 1907, 1914 and 1921—to mention only a few of the more recent episodes of maximum distress in domestic economic history. The baffling nature of the business cycle is its consistent irregularity. If each cycle

CREDIT AND FINANCIAL MANAGEMENT





Like Laocoön  
... "confound-  
ed and entan-  
gled by . . .  
every perplex-  
ing element."

followed the same pattern, the phenomenon would be fully discounted in advance, and the harmful effects minimized. But the changing sequence of economic events within cycles and the seemingly unique and extraordinary economic setting in each instance make the inexperienced jump to the conclusion that past experience and economic laws no longer offer any guidance to the meaning of contemporary events.

As long ago as 1852, a British scholar, Charles Mackay, in his "Memoirs of Extraordinary Popular Delusions," gave the psychological background for mass hysteria.

"In reading the history of nations,"

Dr. Mackay pointed out, "we find that, like individuals, they have their whims and their peculiarities; their seasons of excitement and recklessness, when they care not what they do. We find that whole communities suddenly fix their minds upon one subject, and go mad in its pursuit; that millions of people become simultaneously impressed with one delusion, and run after it, till their attention is caught by some new folly more captivating than the first . . . Money, again, has often been a cause of the delusion of multitudes. Sober nations have all at once become desperate gamblers, and risked almost their existence upon the turn of a piece of

paper. Men, it has been well said, think in herds; it will be seen that they go mad in herds, while they only recover their senses slowly, and one by one."

The changing sentiment of the business and financial community since the beginning of the year indicates that in well informed quarters men are recovering "their senses slowly, and one by one."

With seasonal factors retarding a forward movement, the improvement has been primarily psychological, rather than something that can be measured in tangible statistics. However, the recent gains in loadings of merchandise

(Continued on page 41)





## 6. Minor Aids to Major Profits

Standard Equipment for Clerks  
Standardized Pencils, Erasers, etc.  
Portable Typewriters  
Desk Racks  
Letter Trays  
Stapling Devices  
Rubber Stamps and Racks

## 5. Correspondence

Addressing Machines  
Dictating Machines  
Duplicating Equipment  
Envelope Sealers  
Letter Openers  
Permit Machines  
Pre-Cancelled Stamp Machines  
Stamp Affixers  
Time Stamps  
Typewriters

## 4. Records — Protection

Insulated Cabinets  
Insulated Files  
Insulated Safes  
Vaults—Portable and Permanent

## 3. Records — Maintenance

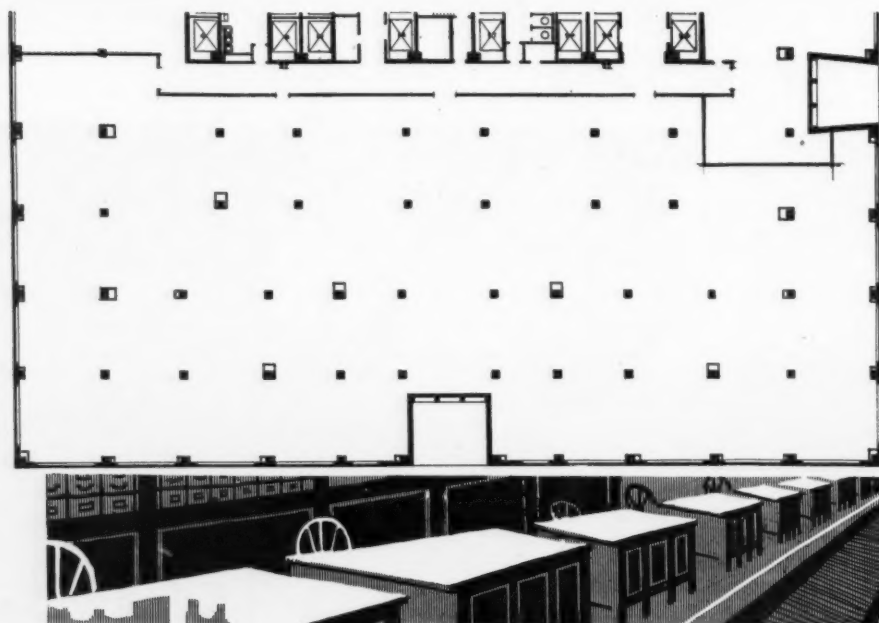
Filing Cabinets  
Filing Systems  
Visible Indexes  
Special Equipment

## 2. The Accounting Department

Adding Machines  
Billing Machines  
Bookkeeping Machines  
Calculating Machines  
Check Protectors  
Record Systems

## 1. Planning and Arrangement

Partitioning and Layout  
Types of Desks  
Chairs for Efficiency  
Filing Equipment that saves space  
Counters—double duty



# direct

The first of a series of six articles on executive office management and administration

BY H. P. PRESTON

"EVERY time a piece of paper stops, a dollar is resting," says L. C. Walker in "The Office and Tomorrow's Business." In eleven words he has summed up a philosophy of office management. Orders that lie on desks waiting for attention, complaints that remain unanswered in baskets marked "pending"—these are the things that dam up dollars which should be flowing into the profit account.

Yesterday perhaps these things did not greatly matter. Today they matter. Tomorrow they will be vitally important. Economic rivalry will be carried on with precision instruments. Trifling costs will become heavy disadvantages in the effort to sway markets. The office will be one of the significant features in tomorrow's business. High office costs, careless management, will certainly spell eventual defeat.

To get a quick estimate of your own office efficiency, chart the flow of your office work. Chart the flow of work in an average office and you usually get something resembling a tangled maze. Mark on paper the actual course of an order from the time of its receipt until it is billed and you often have a line

that reminds you of a meandering country stream. Picturesque for fishing perhaps but mighty poor for profits. Go into the factories of these same concerns and you will find work flowing evenly, logically, with a minimum of waste motion.

An uninterrupted flow of work should be the ideal of every office management. It is the first essential of minimum overhead and maximum production. As a phrase it is easy and very simple. As a consciously planned policy it has almost as many angles as a diamond has facets. For every office function is related to, and coordinated with, this one underlying basic need. You can't have a well managed office without first having a carefully formulated plan. You can't formulate any detailed plan without first considering the two major phases of the flow of your work.

First comes your physical layout and the routing of the work. Remember what Euclid said about a straight line and try to plan your work flow accordingly. Secondly, there is the principle of *regularity*. Work should flow—not

CREDIT AND FINANCIAL MANAGEMENT





the saving that comes through better utilization of valuable floor space—a sizeable item when one considers the rental value of a square foot of space in a modern office building. That there is a psychological value in remodelling office quarters, even in a very modest way, is a truism that should be self-evident. Any executive can prove this for himself by a simple experiment. Take any department of your office organization. Move it to a new location or, to make the test even more simple, merely re-arrange the department desks. You will find an immediate increase in output, a better morale. A revised layout gives workers a new spirit. If the revision is logical and really improves, this new morale will last. It will endure until old customs, habits, prejudices are allowed to smother the scientific attitude. It will last just as long as workers feel that the management is on the job and fulfilling its function—which is to manage, to plan, to organize.

Modern executives accept this fact and try, therefore, to anticipate the needs of their office. Business is not static, fixed, fossilized. It is a living, growing, dynamic thing. It is an organic structure. Every day there are changes, little or big, trivial or major. Basic fundamentals may remain. But today's methods, today's routine may be obsolete tomorrow. Today's layout may hold back tomorrow's business, just as yesterday's arrangements now seriously impair today's efficiency.

Office layout, then, should have a degree of flexibility that permits of rapid change to meet new needs. Space should be divided by partitions which can be readily moved to other locations without undue interruption of business, high cost or excessive waste. Movable partitioning is now available with the practical strength of permanent construction. But, unlike a permanent wall, it can be disassembled and re-assembled, if necessary, between Saturday noon and Monday morning. A major change can be effected without the loss of a single hour of working time.

Poor arrangement of space, sometimes due to an unwillingness to rebuild permanent masonry partitions, is a large contributory factor to present day excessive office overhead. Not only is the flow of work interrupted and valuable space wasted but, in respect to light and air, many offices are archaic. Yet without these two essential elements even approximate efficiency cannot be attained in an office.

Inadequate light and bad ventilation



**Counter height files do double duty and fifty-five inch desks allow for ample aisles and comfortable subsequent expansion.**

are extremely costly. They breed errors, carelessness and labor turnover—all expensive items. Not many years ago it was considered proper for executives to utilize most of the available light and air for their offices. The general office got what was left over—if any. Today, careful office planning tries to distribute natural light and air where it is most needed, giving precedence to those departments which have the greatest amount of close detail work to perform. This is neither altruism or generosity. It is sound business sense.

### **How One Company Did It**

A very interesting example of this principle applied to office planning is the layout of the Shaw-Walker Company's New York offices in the Chrysler Building, located in midtown New York. The offices of the various departments of the company were formerly housed in separate buildings, widely scattered throughout the city. Consolidation seemed essential for unity of operation, a common showroom and a common switchboard and information service.

Large space was necessary to house a sales, executive and clerical staff of more than one hundred people and to provide for a display room. Convenience of location, operating efficiency, and a modern building were desired. Yet rental was to be kept within reasonable limits.

The problem was solved by applying modern planning methods to space which was almost two-thirds "dark" and further complicated by a forest of columns. Yet anyone who has seen these offices cannot question the effectiveness of the solution. The darkest space is used for showroom purposes. Since most of the executives are outside a large part of the day, private offices were built inside.

Clerical workers have outside light. Executives are grouped about the showroom space—their field of operation. Pillars, with the exception of only six in the showroom (which, by the way, are well utilized) are concealed. Model offices, a smaller display room for showing a special line of business furniture are provided. Yet the original space was decidedly of a type which many organizations would have considered undesirable. The example is a particularly apt illustration of what can be done by intelligent planning in the division of office space.

The conditions were somewhat unusual as regards light and the number of pillars and were met with a high degree of ingenuity. Generally speaking, more standard conditions are encountered. In fact, it has been found that a certain number of standard divisions of given areas produce the maximum of light and air and meet the needs of a large percentage of business firms. In planning the partitioning of office space it is usually advisable to use the expert services which are available in this field, rather than trust to your own plans. There are numerous small factors in the planning of office division with which only an expert is fully familiar. The hang of your partition doors, for instance, may waste seven square feet of space per door. At present rentals for modern space this represents quite a costly waste. There are many other reasons, too technical for this article, why it pays to consult a specialist about your office partitioning.

In other words, don't think of partitioning as so many feet of material. Partitions are the physical means of dividing your space into the most desirable and economical units for your business. They represent, if carefully planned, the best utilization of a given area. There are, however, certain elements which enter into the maintenance cost of partitioning and these should be given consideration by every executive. First, thought should be given to flexibility or movability. Can the partitions be assembled and disas-

(Continued on page 43)



# "This Month's Collection Letter"

WEXTARK RADIO STORES, INC.  
1901 WEST PESHING ROAD  
VIRGINIA 8590  
CHICAGO, ILLINOIS

COLLECTION DEPARTMENT

18C36643

Sept. 20, 1930

Mr. John Jones,  
4024 East Monroe St.,  
Chicago, Ill.

Dear Mr. Jones:

THIS IS OUR SIDE OF THE STORY — WHAT IS YOURS?

We are patiently waiting.

Will you kindly attach  
your check to your half of  
this letter and return same  
to us?

If you cannot attach a  
check kindly explain why not.

Very truly yours,

Wextark Radio Stores, Inc.

CHW:BB

Collection Manager

We present our sixth "This Month's Collection Letter". It is unique and effective and an example of good collection letter thinking.

What the country needs is more good collection letters. Their importance in helping pull business out of a depression and then keeping it out is greatly underestimated. There is no short cut to profits as certain as collection letters that do their job.

Send us your best and favorite collection letter for our "collection of collection letters" which we are gathering and which will later be presented to readers of CREDIT AND FINANCIAL MANAGEMENT.

■ The collection letter presented this month is very novel in idea and presentation. This idea has been used to some extent in collection work but rarely as effectively as it is used in this letter submitted by Mr. C. H. Weber, of the Wextark Radio Stores, Inc., of Chicago.

This letter has the unique advantage of automatically restraining customers from writing lengthy explanations as to why they cannot make payment on an account. Mr. Weber describes his company's experience with the letter as follows:

"We have found that the majority of customers would prefer to write lengthy excuses why they can not pay, rather than send checks or make payments at our outlying stores.

"Recently, in order to prevent customers from writing two or three page letters and also to add a little novelty to our collection letters, I used the enclosed letter, and found, after a sys-

tematic check, that the letter produced remarkable results. The novelty appealed to a great many customers and in cases where they could not pay, they confined themselves to the space provided for the customers' side of the story, thereby making it unnecessary for the collection manager to read through two or three pages of hard luck stories to get the gist of the customer's plight."

While this letter could be used effectively in the collection of any type of account, Mr. Weber says that his company has had particularly good results from its use in connection with instalment accounts.

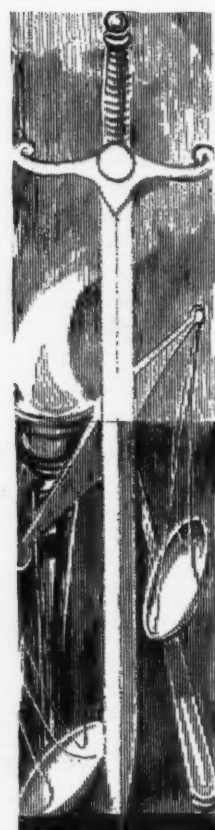
# destiny



Our destiny is in the control of large scale management. The growing dominance of financial management in our new born economic system, controls our "pursuit of life, liberty and happiness."

an abstract from an address  
before the  
**American Management Association**  
by **MALCOLM C. RORTY**  
Vice President  
**American Founders Corporation**

Corporations control two thirds of our business and industry. Over 50% of our total business is in the hands of about 2% of our corporations.



50%

2%

©American Management Assn., General Management Series No. 109

I SHALL limit myself to the broader field of discussing the nature, spirit and organization of management. In doing this, I shall consider management in its newer sense, as that vivifying composite of art and science which joins together capital and labor for the constructive and productive purposes of our national economy.

Management, from this modern point of view, is the last born child of the Industrial Revolution. It is both the creature and the creator of large scale business, and is only remotely akin to the ancient forms of political and military control.

As a tangible, separate entity in our economic scheme of things, management has come into being only with the development of the modern limited liability corporation—and few of us may realize how very recent this latter development has been.

The position of corporations at the time when our own republic had its beginnings is well indicated by Adam Smith, whose "Wealth of Nations" was

first published in 1776. Adam Smith is deservedly looked upon as the father of modern political economy, and his observations upon the status of corporations in Europe in his day and age are particularly illuminating. He refers, first, to the fact that, of about 55 joint stock companies organized for purposes of foreign trade in the whole of Europe since the year 1600, practically all had failed by reason of mismanagement. He then states his conviction that the only trades which it seemed possible for joint stock companies to manage successfully, without a monopoly privilege, were those concerned with banking, insurance, canals, and water supply. He concludes with the pessimistic observation that, "joint stock companies which are established for the public-spirited purposes of promoting some particular manufacture, over and above managing their own affairs ill, to the diminution of the general stock of the society, can in other respects scarce ever fail to do more harm than good."

With the preceding picture before us

it is easy to understand why we read of no conferences of corporation executives being called in connection with the deliberations that led to the founding of our Federal Union. Prior to 1776, there were but six corporations of strictly American origin in existence, including one fishery company, one insurance company, two general trading companies, and two wharf companies—and by the year 1789 this number had increased to a total of only 21.

The beginnings of the modern movement toward widespread and comprehensive corporation activities came, in fact, only with the trend, during the early part of the 19th century, toward the adoption of the principle of limited liability for corporation shareholders; and it was not until after the Civil War that corporations began to bulk large in the thoughts and lives of the great mass of the American people.

The first great impulse to corporation development in the United States was given by the expansion of the railway systems, and this was followed,

**CREDIT AND FINANCIAL MANAGEMENT**





Photo courtesy Brown Robertson

**The new leadership should be based upon the ten commandments of management.**

during the twenty-five years prior to the recent war, by a great increase in the number and size of industrial corporations. The organization of the United States Steel Corporation in 1901 was, perhaps, the outstanding industrial development of this particular period.

However, it has been only since the Great War that we have come to realize in full measure that we are now primarily "industrial rather than political citizens," and that, directly or indirectly, our own lives and the lives of our children after us are apt to be more largely affected by the forms and character of corporation than of political organization. Roughly speaking, corporations control today more than two-thirds of the business and industry of the United States, and over 50 per cent of our total business and industry is in the hands of about 10,000 corporations

(or about 2 per cent of the total number) which have net incomes in excess of \$100,000 per annum—which presumably corresponds to gross business of \$1,000,000 or more.

This present and growing dominance of large scale business—or, in other words, of management—must necessarily have widespread repercussions in every angle of our activities.

From the human standpoint, we may conveniently consider three separate angles of this new-born economic system—of this growing dominance of management as a separate and tangible element in the scheme of things.

Our first concern is with its general bearings on our whole social order—that is to say, with the economic and political changes that have been and may be brought about. Our second concern is with its direct and personal effects on the great masses of our population. And our third, and, perhaps, most important, concern is with its re-

actions upon that specially intelligent and energetic fraction of our population to which we must look in the main for leadership and national progress.

In approaching the problem from the first of these angles we are confronted at once by two major theories of political and economic evolution.

The first of these theories contemplates that all citizens shall be shareholders in, and employees of, a single great corporation. The premises upon which this theory is based are, first, that capital tends to take to itself all the increments of production not required for a minimum existence wage for labor, and, second, that the highest measure of efficiency and human service can be secured only by a complete centralization of all economic and political activities.

As opposed to the preceding theory, there is steadily developing and taking form today, in the United States, what I like to describe as the "ganglionic"



system of social organization.

There is a very marvelous and significant parallel between this system of organization and the organization of the human body. The human body has developed, through long centuries of evolution, a natural and effective balance between the brain and the other vital organs. The brain thinks, reasons and plans—but, although it is faithfully served by the other vital organs, it has no control over their routine operations. Such control is exercised by separate special brains—or ganglia—each organized and equipped for its particular function—and the more important and vital this function is, the more complete is the control by the ganglion in charge, and the less direct is control by the central brain. The hand may lift involuntarily at a threatened blow, or may be raised at will; but no conscious effort of the mind can stop the beat of the heart. Yet the heart would be less, rather than more, truly the servant of the whole body if the mind could interfere with its operations.

### Vital Organs

So in the future development of that combination of political agencies and of quasi-public and private corporations which makes up our social and economic organizations, we may, I believe, reasonably and properly hope to see our representative assemblies—our state legislatures and the Federal Congress—clarify their position more definitely as the conscious centers of our national life, while, at the same time, our great corporations will assume more clearly the position and functions of the national vital organs.

As this development proceeds and takes more tangible form, it is, I believe, inevitable that our corporations shall build up for themselves either in single units or through the operations of trade associations, certain managerial agencies of control and adaptation to national requirements that will correspond closely to the ganglia which, in the human body, control the responses of the vital organs to changing bodily needs. This process is, in fact, going on day by day, so quietly and insensibly that we may easily overlook the advances that have been made. Yet, if we compare the condition, for example, of our railroads and telephones and telegraphs, and of the steel business, less than a generation ago, with the conditions that exist today, we cannot fail to recognize how far we have already progressed, with respect to these major enterprises, in the development of a

sense of responsibility to national needs that is the outgrowth, less of law and regulation, than it is of a continuing evolutionary process.

Upon this theory of social evolution, as has been indicated before, we have, perhaps, already and insensibly made progress far beyond our conscious knowledge. A generation ago there were few, if any, industrial or business leaders who recognized, or measured up to their public responsibilities. Today I might name a dozen or more "statesmen in industry," who, while duly and necessarily regardful of the financial fortunes of the enterprises they direct, find, nevertheless, their chief pride and satisfaction in the feeling that they are the leaders of great constructive and useful movements in our national development. A generation hence, if the present rate of education of the masses of our people in basic economics continues, we may reasonably hope to see such industrial statesmen honored on an equality with the best of our statesmen in the field of politics.

From the standpoint, therefore, of pure economic utility, I believe we have reason to hope and expect that our great corporations and their associated managing groups slowly, and by trial and error, rather than by conscious planning, but nevertheless with inevitable certainty, will develop their useful functions and their automatic and largely internal controls for the purposes of an orderly and efficient national life.

### Management and the Wage Earner

With this much said as to the broader social and economic reactions from large scale business and organized management it is next in order to consider their direct and personal bearings upon the wage earning masses of our population.

Not long ago I was told of a director of many large corporations who stated that, before the late war, he had rarely attended a directors' meeting in which there was not some discussion of how it might be possible to improve operating results through reductions in wages. Today, he said, such a suggestion was rarely, if ever, made. The current wage levels were accepted as a matter of course, with the expectation, in fact, that they would tend to rise rather than fall, and attention was concentrated almost wholly on those improvements in methods, processes, and organization through which increased efficiency of operation might be attained.

If there is a "new era" in American

business, this is it. Furthermore, this new point of view in industrial relations has the great advantage of being founded, not upon the shifting sands of sentimentalism, but upon the solid rock of an enlightened self-interest.

The story of how this change has been brought about from the old era of wasteful and destructive industrial conflict, to the new era of industrial co-operation, may, I hope, some day be properly written. The beginnings came with the great spread of labor union activities during the latter part of the past century. This movement, on the whole, was founded on economic fallacies. Too often, it assumed that labor could profit only at the expense of capital, and too often, also, it thought in terms of the distribution of the little that was, rather than in terms of the production of the greater values that might be. Yet it served a major purpose in concentrating attention upon the possibility of combining liberal wages with efficient management and a high productivity.

### The Personnel Department

It would be idle to say that the industrial virtue of American employers is now so firmly established that the services of the labor union policeman are no longer required. Nevertheless, the improvements in management which have come as the result of the industrial conflicts of the past century are impressive in their appearance of solidity and permanency. Labor could force the issue, but only management could find the solution. Some part of this solution has come by indirection through the work of the engineering colleges, and the schools of business administration, in training more effectively a new generation of business and industrial managers. Many, if not most, of the industrial troubles that had existed were the outcome of managerial ignorance rather than evil intent—and for these the cure lay in a broader training of executives. But a still greater step forward has come with the establishment of personnel departments in large corporations and the assignment to such departments of the staff responsibility for the studies necessary to assure healthful working conditions and just and considerate treatment of the mass of employees.

Nevertheless, if the new industrial era is really at hand, I believe that primary credit must be given to the very general acceptance in this country by employers and employees, alike, of the

(Continued on page 45)

## "Changing Conversation into Conservation"



© Ewing Galloway

### The Flying Squadron and Economic Credit Council

**A** REFERENCE to page 29 of the October CREDIT MONTHLY will give you the full story of the organization and the purpose of the Flying Squadron and Economic Credit Council, which has been instituted to set in motion definite movements against credit waste and inefficiency. Every member of the Squadron and Council who brings a new member into the N. A. C. M. "wins his wings." The members of this Council, through their enlistment, show a breadth of vision in co-operating in this important work and evidence a fine spirit and heartfelt interest in relation to the work the Council is dedicated to perform.

There are to date approximately 900 members enrolled in the Squadron and Council. The names of those who enlisted since the last publication of the list are given below:

F. L. Andrews, The Davis Brothers Drug Co., Denver, Colo.  
C. H. Babcock, United Steel & Wire Co., Battle Creek, Mich.  
Frank E. Baker, Industrial Bank, Lansing, Mich.  
Joseph J. Beck, E. R. Squibb & Sons, Chicago, Ill.  
C. E. Beeson, Southern Bearings & Parts Co., Charlotte, N. C.  
P. E. Belt, Crane Company, Baltimore, Md.  
Earl C. Blake, H. L. Handy Co., Springfield, Mass.  
S. S. Board, The Brickwede Bros. Co., Marietta, Ohio.  
A. W. Bolls, Crane Company, Oklahoma, Okla.  
Blake Bourne, John E. Hurst & Co., Baltimore, Md.  
E. J. Briber, The H. H. Tammen Co., Denver, Colo.  
A. W. Briggs, Decatur & Hopkins Co., Boston, Mass.  
C. R. Broach, Alabama Power Co., Montgomery, Ala.  
Guy Campbell, Motor Supply Co., Inc., Monroe, La.  
F. L. Carson, First National Bank in Wichita, Kansas.  
F. E. Clyde, The Paraffine Cos., Inc., Seattle, Wash.  
E. N. Cray, Swift & Co., Seattle, Wash.  
G. O. Daniel, Horne-Wilson, Inc., Atlanta, Ga.  
Forrest K. Dart, Sterling Radio Co., Wichita, Kansas.  
H. K. Dexter, The Dayton Rubber Mfg. Co., Dayton, Ohio.  
C. W. Dietrich, The Black & Decker Mfg. Co., Towson, Md.  
C. E. Dygert, The City National Bank, Lansing, Mich.  
George J. Eberts, The John S. Naylor Co., Wheeling, W. Va.  
H. H. Eccles, The Standard Supply Co., Portsmouth, Ohio.  
Charles M. Epes, Woodworth-Hawley Co., Buffalo, N. Y.

### WINGS THAT ARE WON

Members of the Flying Squadron and Economic Credit Council who have won their wings now total 95.

William Fraser, J. P. Stevens & Co., Inc., New York City.  
J. G. McCaw, The Freedom Oil Works, Freedom, Pa.  
C. M. Stengel, McIntyre-Burrall Co., Green Bay, Wis.  
C. L. Coussens, Field Mgr., Central Iowa Credit Interchange Bureau, Des Moines, Iowa.  
C. J. Woodward, 11 South Lake Avenue, Albany, N. Y.  
H. W. Baer, Waterbury Button Co., Waterbury, Conn.  
W. D. Doak, Norris, Inc., Atlanta, Ga.  
Robert R. Emerson, Springfield Safe Deposit & Trust Co., Springfield, Mass.  
Sidney J. Hoffman, Franklin Auto Supply Co., Providence, R. I.  
G. O. Jones, Cason J. Callaway, General Offices, LaGrange, Ga.  
P. A. Rockwell, Billings Hardware Co., Billings, Mont.  
A. M. Williams, Third National Bank & Trust Co., Springfield, Mass.  
J. S. Tupper, Nebraska Machinery Supply Co., Lincoln, Neb.  
Fred R. Clark, American Writing Paper Co., Holyoke, Mass.  
F. B. Whitaker, Memphis Furniture Manufacturing Co., Memphis, Tenn.  
Newman Essick, Essick & Co., Los Angeles, Calif.  
H. E. White, Chamberlain Co., Los Angeles, Calif.  
W. S. Swingle, Asst. Treas., and Director of Foreign Dept., N. A. C. M., New York City.  
F. O. Schuette, Kellogg-Citizen Natl. Bank, Green Bay, Wis.

George B. Farrington, New England Confectionery Co., Cambridge, Mass.  
E. C. Gayman, Sperry Flour Co., San Francisco, Calif.  
H. C. Gennrich, T. W. Meiklejohn Co., Inc., Fond du Lac, Wis.  
W. H. Goodrich, Bradford & Co., Inc., St. Joseph, Mich.  
T. J. Goodwin, Liberty Bank of Buffalo, Buffalo, N. Y.  
J. F. Graham, S. J. Wines Coffee Co., San Diego, Calif.  
C. C. Gray, The Boston Post, Boston, Mass.  
Russell O. Hager, C. G. Conn, Ltd., Elkhart, Ind.  
A. A. Hock, Associated Oil Co., San Francisco, Calif.  
A. M. Holt, Jr., The Young & Vann Supply Co., Birmingham, Ala.

G. C. Hurst, Armour & Co., South St. Joseph, Mo.  
J. F. Jensen, Golden State Milk Products Co., San Francisco, Calif.  
A. L. Jones, Armstrong Machine Works, Three Rivers, Mich.  
L. O. Key, Hughes-Key Motor Co., Inc., Roanoke, Va.  
R. M. King, King Cigar Co., Flint, Mich.  
R. V. Koupal, McKelvie Publishing Co., Lincoln, Neb.  
F. S. Lacey, Reynolds-Davis Grocery Co., Fort Smith, Ark.  
Miss M. F. Langley, Capitol Supply Co., Lincoln, Neb.  
E. R. Leonard, Continental Oil Co., Ponca City, Okla.  
B. J. McGarry, W. T. Sistrunk & Co., Lexington, Ky.  
H. H. McKee, The National Capital Bank of Washington, D. C.  
E. H. Miller, Jr., American Trust Co., South Bend, Ind.  
W. E. Moore, United States Fidelity & Guaranty Co., Baltimore, Md.  
Daniel M. Moriarty, Boston Structural Steel Co., Cambridge, Mass.  
L. K. Morse, Corbin Cabinet Lock Co., New Britain, Conn.  
S. W. Murray, Westinghouse Electric Supply Co., Los Angeles, Calif.  
Arthur E. Myers, Arch P. Naramore, Wichita, Kansas.  
R. J. Nestelroad, The Massey Hardware Co., Wichita, Kansas.  
F. J. Newcomb, M. J. Daly & Sons, Inc., Waterbury, Conn.  
W. W. Newcomb, Ardis & Co., Shreveport, La.  
James D. Nicoll, The McKesson-Churchill Drug Co., Cedar Rapids, Iowa.  
E. E. Ogren, The Stanley Works, New Britain, Conn.  
T. J. Olsen, Kelly-Springfield Tire Co., Minneapolis, Minn.  
C. V. Orr, Gulf States Steel Co., Birmingham, Ala.  
Preston T. Padgett, R. D. 1, Box 154, Medina, Wash.  
J. D. Peeler, Steves Sash & Door Co., San Antonio, Texas.  
H. B. Potterfield, McKesson-Groover-Stewart Drug Co., Jacksonville, Fla.  
T. Leonard Reeder, Union Trust Co. of Maryland, Baltimore, Md.  
D. R. Rees, The Stambaugh-Thompson Co., Youngstown, Ohio.  
J. I. Riordan, Bank of Italy, San Francisco, Calif.  
R. D. Roberts, Union Oil Co. of Calif., Oakland, Calif.  
Noel J. Roe, O'Brien Varnish Co., South Bend, Ind.  
W. D. Sandifer, The Hicks Co., Ltd., Shreveport, La.  
E. J. Sather, Colt's Patent Fire Arms Mfg. Co., Hartford, Conn.  
P. W. Schaefer, Railey-Milam Hardware Co., Miami, Fla.  
P. L. Schneider, The Standard Register Co., Dayton, Ohio.  
Floyd E. Shaw, Klauber-Wangenheim Co., San Diego, Calif.  
J. E. Stephenson, The Atlantic Nat'l. Bank of Jacksonville, Fla.  
C. W. Van Landingham, The Miami Herald, Miami, Fla.  
C. E. Votrian, Barnsdall Refineries, Inc., Tulsa, Okla.  
Miss M. F. West, Northwestern Paint & Wall Paper Co., Minneapolis, Minn.  
A. M. Williams, Third Nat'l. Bank & Trust Co., Springfield, Mass.  
C. S. Young, The Bridgeport-City Trust Co., Bridgeport, Conn.



■ How can anyone write a collection letter to a debtor in which he threatens recourse to legal action and yet blandly remarks that he hopes his pleasant and happy relations with the debtor will continue? How can anyone write a letter like the one reproduced below in which it is stated: "We have been very happy to do business with you and hope that the pleasant relations which have existed between our companies may continue. However, if we do not receive a remittance from you within ten days, we shall be forced to turn your account over to an attorney for legal action"? As Mr. Edeyer points out in his article this is pure inanity and rank insincerity.

Insincerity in a creditor begets nothing but insincerity in a debtor. Soft soap about good-will and friendly rela-

tions do not fool the man who receives the collection letter. He resents the dissimulation. He sees through the expressions of good will, and discerns the mailed fist behind. His psychological reaction is resentful and negative. Mr. Eydeler very ably analyzes many examples of transparent verbiage which hides nothing.

Try to figure out why there is such a flood of perfectly stupid, vapid collection letters written. There are enough really good collection letters written today to make one wonder how others can be so bad. The following article decries the practice of writing such letters and offers a constructive viewpoint which should serve as a guiding principle of good collection letter writing.

By J. H. EYDELER

Secretary-Treasurer

H. E. Lesan Advertising Agency

**D**URING a period of depression when collections are usually slow, there is a tendency for credit men to write articles on how to collect outstanding past due accounts without antagonizing the customer and at the same time retaining his good will by using the most painless methods to extract the money which is due.

In my opinion, the credit manager's position during a period of depression is no different than it is in times of prosperity. The psychology used in collecting past due accounts has not changed. The client from whom you are trying to collect is aware of the fact that the usual hackneyed expressions used in collection letters do not mean very much—that they are not original in construction and lack individuality and character.

Why not concede that the customer to whom you are writing has the intelligence to understand that the stereotyped expressions which are used are usually phraseology styled by other credit managers? For example: "Your check for \$ . . . , covering our invoice of . . . days, was not accepted in full payment for the reason that it was not mailed until . . . days after the expiration of the discount period."

Calling the customer's attention to a discount which he has deducted, but to which he is not entitled, is redundant because he is fully aware that he did not pay on the due date and has therefore forfeited the discount.

### Credit Manager

Dear Mr. Debtor:

We are at a loss to understand why our letters requesting payment of your account in the amount of \$94.50 have elicited no response from you. We do not believe that you have deliberately overlooked this item but feel sure that our statements have in some way escaped your notice.

We have been very happy to do business with you and hope that the pleasant relations which have existed between our companies may continue. However, if we do not receive a remittance from you within ten days, we shall be forced to turn your account over to an attorney for legal action.

Courteously yours,

*John H. Eydeler*  
Credit Manager



# Transparent

CREDIT AND FINANCIAL MANAGEMENT



It is also superfluous to write to a customer, calling his attention to a past due account and stating that the statement mailed to him some time ago must have escaped his notice. Why insult him? You must take it for granted that he knows the account is still open on his books as a liability, if he is at all a business man.

How can you expect to write collection letters, especially a fourth letter, without disturbing the pleasant relations you have enjoyed in the past, when you use a phrase such as this: "Unless we hear from you by . . . (a time limit of ten days), we shall be compelled to turn the account over to our attorney for legal action."

If you enjoyed pleasant relations in the past, you certainly would not place the account with your attorney for legal action. It is not consistent.

Here's another one: "I take it for granted that the amount is correct as rendered." In the first place, you have already antagonized the customer by sending him a fourth letter, telling him that you are going to take legal action, and, in the second place, you have insulted your own intelligence by asking whether the account is correct as rendered. It certainly would not be the client's fault if the account as rendered were in error. That would be the fault of your own accounting department.

This form of letter is not ethical: "Your check for \$ . . . is not accepted as full payment for the reason that you have deducted a cash discount to which you are not entitled."

Why tell your customer that his check was not accepted as full payment for the reason that he deducted a cash discount to which he was not right-

ize your customer and he might withhold the check for an indefinite period. There is absolutely no good reason why you cannot accept the check and tell him that you are applying it against his account and that you are enclosing a bill for the discount amount.

The good will attitude to which writers refer cannot exist if you write two, three or four collection letters to a client. And it certainly cannot exist if you either draw a draft on your customer or tell him you are taking legal steps to collect your money.

Why write letters like this: "We still hesitate to cause you any trouble, especially over an account of only \$ . . ." There is no reason why you should hesitate if the money is due you. A frank letter, calling the customer's attention to the past due account, certainly carries more weight than a hackneyed expression such as the above.

In my opinion, one of the fundamental principles of a credit manager's job when he secures a new account is to call on the treasurer or some other officer of the company and make his acquaintance, and at the same time inform him of your method of billing and your terms of sale. If these are understood from the very beginning, there is no danger of the client's forgetting what the terms are and how he is expected to pay.

A writer once stated that the credit manager became less of an analyst of the credit aspects of an account to be, during a time when money moves more slowly than usual. On the contrary, the credit manager becomes more of an analyst of the credit aspects of an account to be. He is more cautious when accepting a new account and scrutinizes

knows that unless he discounts his sugar bills, he gets no more sugar. Consequently, he pays them, even when to do so he must stand the other fellow off.

The same parallel can be given in the advertising agency business. A client has to pay his advertising bills on discount date because the agency has to pay the publisher on the due date.

The publisher in turn allows a discount which is passed on to the client in order to expedite collections. And if the client does not pay on discount date, he is automatically put on notice with the publishers that he is slow pay, and the chances are that the account will not continue under these conditions.

There is another rule which should be enforced, and that is that the sales managers and other executives should not under any circumstances write collection letters, because a sales manager cannot collect the money which is due the firm and at the same time try to sell the customer a new bill of goods. It is not consistent for him to do so, and it certainly is not one of the problems of the sales manager.

A credit manager, when employed, takes the full credit responsibility; he passes credit and knows his client. He should possess the faculty of collecting past due accounts without writing meaningless collection letters which only antagonize. If you must send a collection letter, then state the facts as you actually find them. A frank expression and truthful explanation as such will clarify your position and bring about a closer relationship between you and your customer.

fully entitled? He knows that. Also why tell him that it is extremely inconvenient to have to bring down these balances each month on your books? He certainly is not interested in that.

A customer knows very well when he takes a cash discount which he has not earned, so why not send him a bill for the discount amount instead of going through the formality of sending back the check. You might antagon-

their statement more carefully to ascertain their ability to pay for what they purchase. He has already educated his old accounts as to the terms of sale, and these should naturally give him little trouble.

A credit manager of a sugar distributor once testified that their terms might be called immutable, but that they were that way because they had kept them that way. Every customer



# verbiage hides nothing

FEBRUARY, 1931

# hindsight proves



**a study of the stormy business course of 1930 serves as an effective forecast of "fair and warmer" or "muggy and stormy" for 1931**

**A**FTER the stock market crash in the latter part of 1929 it was predicted that 1930 would be a year of recovery. But month after month throughout 1930 business improvement did not come. Gradually we are beginning to realize that prosperity is not a state of mind but a state of effective, constructive activity.

In November and December of 1930 there was a flood of predictions that

1931 would be a recovery year, yet we find eminent authorities predicting more business and bank failures in 1931 than in 1930. Improvement seems certain in some of our basic and manufacturing industries. The automobile industry should have a good year, because stocks of cars are said to be about 25 per cent. smaller than a year ago. There are other facts which seem to indicate real progress in the manufacture and sale of automobiles.

However, it is almost as difficult to say what is going to happen during 1931 as it was to prophesy what business would do throughout 1930. One of the most sound and helpful methods of analyzing business throughout 1931 is to make a month by month analysis of business indices and economic movements.

The Irving Trust Company of New York has made available to CREDIT AND FINANCIAL MANAGEMENT, 28 charts which show the month by month trend of indices and economic movements throughout 1930. These charts were first published in the January Mid-Month Review of Business of the Irving Trust Company and are of such comprehensiveness and value that special permission has been obtained to reproduce these charts for the benefit of our credit and financial readers.

Each of these charts is a yardstick that will enable you to effectively determine the month by month progress of business throughout 1931 and form your own conclusions relative to what improvements or declinations have taken place in business during the preceding month and what these factors seem to indicate as far as a return of prosperity and stability is concerned.

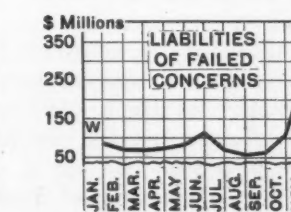
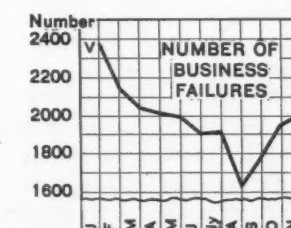
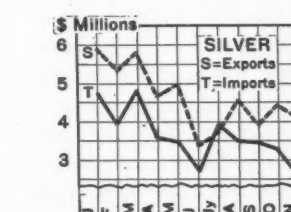
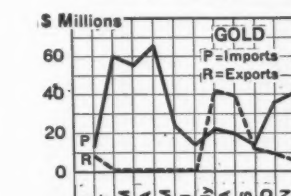
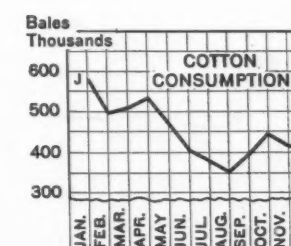
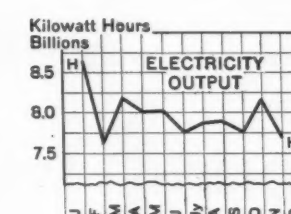
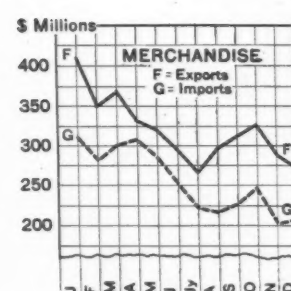
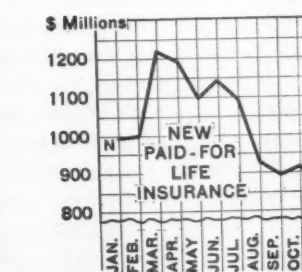
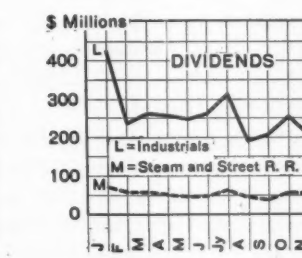
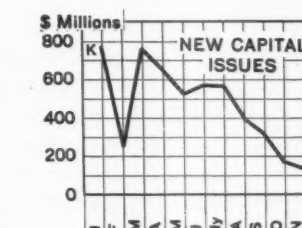
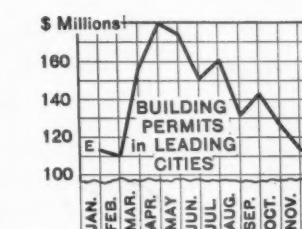
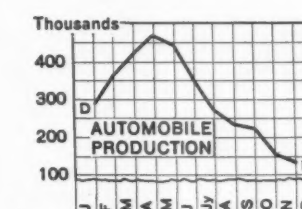
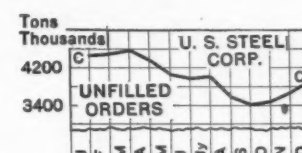
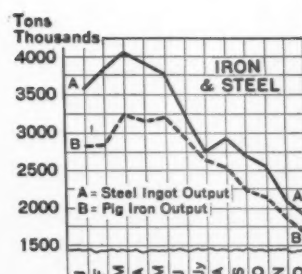
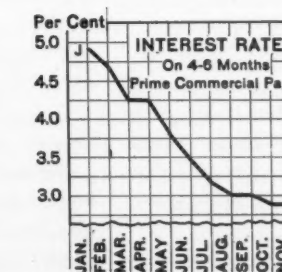
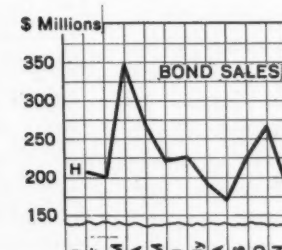
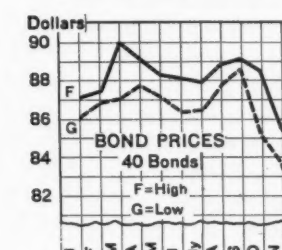
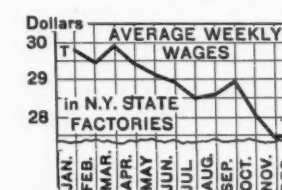
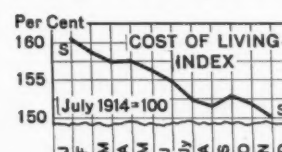
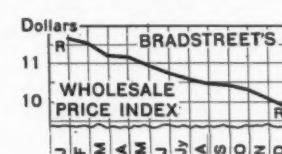
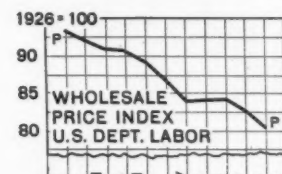
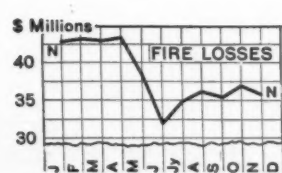
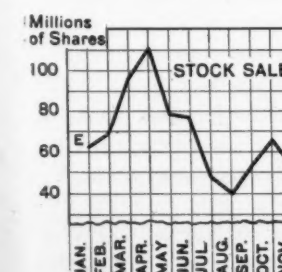
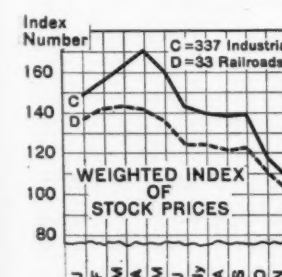
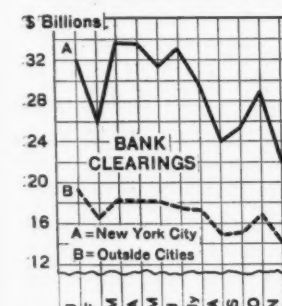
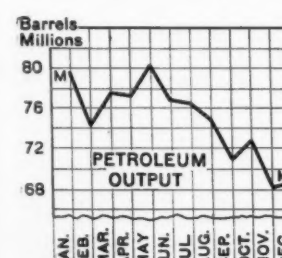
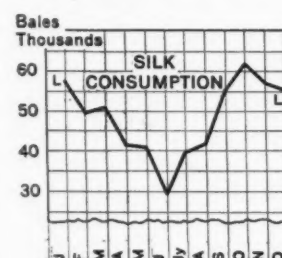
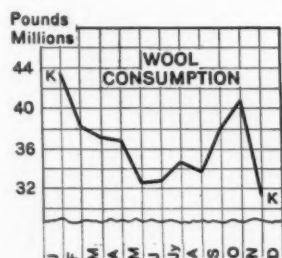
As an example of how these charts may be used as a yardstick, let us take the first graph on iron and steel. This graph gives the thousands of tons of steel ingot and pig iron production throughout 1930. The production and distribution of iron and steel comprise one of the most frequently used and widely accepted barometers of business activity because these products enter into the manufacture of such a large number of commodities such as automobiles, bridges, structures, etc. Iron and steel outputs serve as a basic index of industrial activity. For a number of reasons that will not be discussed here, iron and steel are of greater value as an index for immediate business measurement than they were six or seven years ago. Each month figures are given out for the preceding month's output of pig iron and steel ingot production. As you procure these figures, they may be compared with the information on the iron and steel graph. This will give you an immediate and definite picture of how each month of

*(Continued on page 51)*

**CREDIT AND FINANCIAL MANAGEMENT**



# foresight





# winged words



## bring winged responses

**A**N assistant treasurer reorganizing a credit department in the Middle West wrote in to Credit and Financial Management and asked for advice on various problems that he was facing in the reorganization process. One of the questions he asked was the extent, scope and advisability of using telegrams in collection work. The editor wrote back giving a resume of his ideas on the subject. Then it occurred to him that here was a subject of practical interest upon which every credit executive would have a well-defined opinion. A letter asking for information about the use of telegrams in credit and collection work was sent to hundreds of representative credit executives. The response was a very thorough expression of opinion on the subject: many unusual uses of the telegram were brought out, favorable and unfavorable factors were emphasized. This article will summarize the basic ideas brought out by this survey.

There was an overwhelming response in favor of the use of telegraphic services in credit and collection work. Only one letter was received which stated that the credit department did not use telegrams in its work. Typical comments were:

"Generally speaking, our experience with the use of the telegram has been extremely satisfactory and it is really astonishing to observe the splendid results obtained."

"We do not contend that the tele-

### a symposium of telegraphic collection experience

gram is a 'sure shot' but it has been our experience that one telegram very often brings a check where numerous letters have failed to even get an excuse. It is a known fact that telegrams command preferred attention and suggest immediate action, regardless of their subject."

"It is our opinion that telegrams have saved us many thousands of dollars in collection fees. Furthermore we have retained the customer's good will which in many cases would have been lost had we proceeded through some other channels to make collections."

"An extraordinary percentage of our telegrams through the years has brought payment."

The two prime advantages of the telegram, its attention-getting value and its time-saving advantage were brought out in many letters. "In my opinion the most important value in using telegrams is the attention-getting factor. In connection with accounts involving large sums of money, the time element is also very important," said one credit executive. Another emphatically states: "If there is one way I know to effectively get action, it is to send a very urgent telegram—and send it collect."

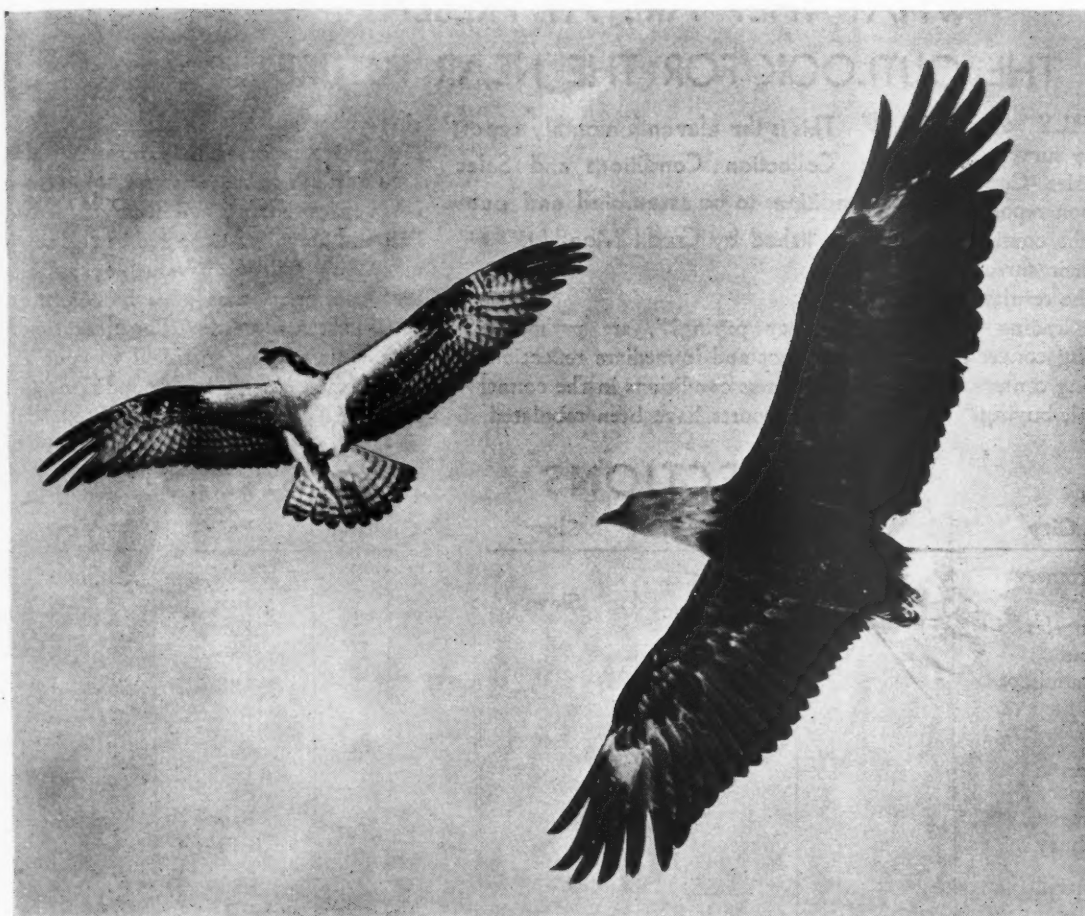
The survey brought out a wealth of

interesting information about the ways in which telegraphic service is used in credit and collection work. Collection telegrams are in a great many cases sent as a last resort before an account is passed to an attorney or local Association collection bureau for collection. One credit executive writes his customer a final collection letter and sets the last possible date for payment. If check has not been received on that date, the following wire is sent immediately to the debtor: "Urgent we have immediate reply to our letter of (date)". Telegrams which intimate that legal action will be taken if payment is not forthcoming generally follow this form: "Must take sharp action if remittance is not received."

There is a large group of credit executives, however, who believe telegrams should never hint at legal action but should merely call attention to collection letters that have already been sent and which have elicited no response. This group believes that a point-bank collection telegram should never be sent to a debtor who is located in a small community for the reason that the contents of such telegrams are often broadcast and the individual's standing impaired.

Many credit executives said that good results should not be expected from one telegram but that a second and third follow-up telegram should be sent if the first brings no response. Those who favored this plan said that they generally received a reply, with or without remittance in 75 per cent. of the cases and a remittance in 25 to 33 per cent. of the cases.

Telegrams have also been found effective in cases where a check has been promised by a debtor merchant to wipe out a past-due account and the creditor is awaiting receipt of the check before sending out a new shipment of



"In doubt my oracles;  
my wings in high pursuit." . . .  
Pollock.

goods to the customer. A telegram like the following will usually get results: "When will check be mailed as we are holding order".

Telegrams are also used to follow up payment of drafts sent to distant banks for collection. They are sometimes sent to warn a debtor that a check he has tendered in payment of his account has not been honored by the bank on which it was drawn. In these cases, a terse telegram speeding direct to the debtor has a force which the more slowly moving letter lacks. Another use of telegrams is in the collection of notes. The note is sent to the customer's bank about a week before due date and he is advised accordingly. If remittance is not received from the bank within two or three days after maturity date the customer receives a wire like the following: "Returns not yet received from bank on your note. Please investigate and advise."

Several executives wrote that the telegraph companies perform a valuable service in tracing debtors who have moved.

The wording and tone of collection telegrams came in for a great deal of

discussion. Opinion seems to be divided rather evenly on the subject of the use of form telegrams: approximately half of those who answered use form telegrams while half do not. But those executive who do not use form telegrams expressed their attitude more firmly and positively than the other group. The feeling that the collection telegram should be worded to fit the individual case is concisely expressed in this comment: "We try to use individual contacts in telegrams just as if we were writing a letter to a man or attempting to talk to him." Another said: "When we are obliged to telegraph to one of our customers we simply ask for a check the same way as if we were talking to the customer across the table or over the phone."

A number of executives who use form telegrams said that they were using the collection telegrams originated by the telegraph companies and found them effective. "I think they are as good or perhaps better than any that could be drafted by the average credit man who has no legal training and does not know the limit to which he may go in soliciting payment of an account."

The consensus of opinion as to the tone of collection telegrams is that they should not be of the drastic, hard-boiled type which serve only to create ill-will. Credit executives feel that the real power of the telegram as a collection medium lies in its terseness and directness of form and not in the wording of the telegram. One treasurer summed this feeling up very effectively: "It would seem that when a debtor gets a telegram it gives him a mental shock which he does not receive on opening a letter received in the usual course." Another said: "It doesn't make much difference what you say in your collection letters as long as they are courteous, brief and remind the debtor that the account is unpaid." One very firm executive said: "In general we do not beat the devil around the stump with apologies for asking for payment. We take the position that the only reason we have for asking a man to pay his bill is that he owes it and we frame our telegram accordingly."

A study of the collection telegrams submitted brought out an interesting fact which has been noted earlier in

(Continued on page 52)

# Nation-Wide Collection and Sales Conditions

## WHAT THEY ARE AT PRESENT

### THE OUTLOOK FOR THE NEAR FUTURE

**C**REDIT MONTHLY offers its eleventh monthly survey of Collections and Sales Conditions. This survey is based upon reports from 111 cities throughout the country that are trade centers for their surrounding areas. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and

■ This is the eleventh monthly report of Collection Conditions and Sales Conditions to be assembled and published by Credit Monthly.

"Are they paying?", are perhaps the most direct and immediate reflection of daily business conditions in the country.

These reports have been tabulated so

that you may see at a glance how conditions are reported in various cities in each State. You may also see at a glance what cities report a condition of "Good, Fair and Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT MONTHLY. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

## COLLECTIONS

## SALES

| State         | City          | Good | Fair | Slow | Good | Fair | Slow |
|---------------|---------------|------|------|------|------|------|------|
| Alabama       | Montgomery    |      | Fair |      |      |      | Slow |
| Arizona       | Phoenix       |      |      | Slow |      | Fair |      |
| California    | Los Angeles   | Good |      |      |      | Fair |      |
|               | Oakland       |      | Fair |      |      | Fair |      |
|               | San Francisco |      | Fair |      |      | Fair |      |
|               |               |      |      |      |      |      |      |
| Colorado      | Denver        |      | Fair |      |      | Fair |      |
|               | Pueblo        |      | Fair |      |      | Fair |      |
| Connecticut   | Bridgeport    |      | Fair |      |      | Fair |      |
|               | New Haven     |      | Fair |      |      | Fair |      |
|               | Waterbury     |      |      | Slow |      | Fair |      |
| Florida       | Jacksonville  |      | Fair |      |      | Fair |      |
|               | Miami         |      | Fair |      |      | Fair |      |
|               | Tampa         |      | Fair |      |      | Fair |      |
| Georgia       | Atlanta       |      | Fair |      |      |      | Slow |
|               | Macon         |      | Fair |      |      | Fair |      |
|               | Savannah      |      |      | Slow |      |      | Slow |
| Idaho         | Boise         |      |      | Slow |      |      | Slow |
| Illinois      | Galesburg     |      | Fair |      |      | Fair |      |
|               | Peoria        |      | Fair |      |      |      | Slow |
|               | Quincy        |      |      | Slow |      |      | Slow |
|               | Rockford      |      |      | Slow |      |      | Slow |
| Indiana       | Evansville    |      |      | Slow |      |      | Slow |
|               | Indianapolis  |      |      | Slow |      | Fair |      |
|               | South Bend    |      | Fair |      |      | Fair |      |
|               | Terre haute   |      |      | Slow |      |      | Slow |
| Iowa          | Burlington    | Good |      | Slow |      | Fair |      |
|               | Cedar Rapids  |      |      |      |      | Fair |      |
|               | Davenport     |      | Fair |      |      | Fair |      |
|               | Des Moines    |      | Fair |      |      | Fair |      |
|               | Ottumwa       |      | Fair |      |      | Fair |      |
|               | Sioux City    |      | Fair |      |      | Fair |      |
| Kansas        | Wichita       |      | Fair |      |      | Fair |      |
| Kentucky      | Lexington     |      | Fair |      |      | Fair |      |
|               | Louisville    |      | Fair |      |      | Fair |      |
| Louisiana     | New Orleans   |      | Fair |      |      | Fair |      |
|               | Shreveport    |      |      | Slow |      |      | Slow |
| Maryland      | Baltimore     |      | Fair |      |      |      |      |
| Massachusetts | Boston        |      | Fair |      |      | Fair |      |
|               | Springfield   |      | Fair |      |      | Fair |      |
|               | Worcester     |      | Fair |      |      | Fair |      |



## COLLECTIONS

## SALES

| State          | City           | Good | Fair | Slow | Good | Fair | Slow |
|----------------|----------------|------|------|------|------|------|------|
| Michigan       | Detroit        |      |      | Slow |      |      | Slow |
|                | Grand Rapids   |      | Fair |      |      | Fair |      |
|                | Jackson        |      |      | Slow |      |      | Slow |
|                | Lansing        |      | Fair |      |      |      | Slow |
| Minnesota      | Saginaw        |      |      | Slow |      |      | Slow |
|                | Duluth         | Good |      |      |      | Fair |      |
|                | Minneapolis    |      |      | Slow |      |      | Slow |
|                | St. Paul       |      | Fair |      |      | Fair |      |
| Missouri       | St. Joseph     |      | Fair |      |      | Fair |      |
|                | St. Louis      |      |      | Slow |      |      | Slow |
| Montana        | Billings       |      | Fair |      |      | Fair |      |
|                | Great Falls    |      |      | Slow |      | Fair |      |
|                | Helena         |      | Fair |      |      | Fair |      |
| Nebraska       | Lincoln        | Good |      |      |      | Fair |      |
|                | Omaha          |      |      | Slow |      |      | Slow |
| New Jersey     | Newark         |      | Fair |      |      | Fair |      |
| New York       | Albany         |      | Fair |      | Good | Fair |      |
|                | Buffalo        |      | Fair |      |      | Fair |      |
|                | Elmira         |      | Fair |      |      | Fair |      |
|                | Jamestown      |      | Fair |      |      | Fair |      |
|                | New York       |      | Fair |      |      | Fair |      |
|                | Rochester      |      | Fair |      |      | Fair |      |
|                | Syracuse       |      | Fair |      |      | Fair |      |
|                | Utica          |      | Fair |      |      | Fair |      |
|                |                |      |      |      |      |      |      |
| North Carolina | Charlotte      |      | Fair |      |      | Fair |      |
| North Dakota   | Fargo          |      |      | Slow |      |      | Slow |
|                | Grand Forks    |      |      | Slow |      | Fair |      |
| Ohio           | Cincinnati     |      | Fair |      |      | Fair |      |
|                | Columbus       |      | Fair |      |      |      | Slow |
|                | Cleveland      |      | Fair |      |      |      |      |
|                | Dayton         |      |      | Slow |      | Fair |      |
|                | Toledo         |      |      | Slow |      |      | Slow |
|                | Youngstown     |      |      | Slow |      |      | Slow |
| Oklahoma       | Oklahoma City  |      | Fair |      |      |      | Slow |
| Oregon         | Portland       |      | Fair |      |      | Fair |      |
| Pennsylvania   | Allentown      |      |      | Slow |      | Fair |      |
|                | Altoona        |      |      | Slow |      |      | Slow |
|                | Johnstown      |      |      | Slow |      | Fair |      |
|                | Newcastle      |      |      | Slow |      |      | Slow |
|                | Philadelphia   |      | Fair |      |      | Fair |      |
|                | Pittsburgh     |      | Fair |      |      | Fair |      |
|                | Reading        |      | Fair |      |      | Fair |      |
|                | Scranton       |      |      | Slow |      |      | Slow |
|                | Wilkes-Barre   |      |      | Slow |      | Fair |      |
| Rhode Island   | Providence     |      | Fair |      |      |      | Slow |
| South Dakota   | Sioux Falls    |      | Fair |      |      |      | Slow |
| Tennessee      | Chattanooga    |      |      | Slow |      |      | Slow |
|                | Knoxville      |      | Fair |      |      | Fair |      |
|                | Memphis        |      | Fair |      |      | Fair |      |
|                | Nashville      |      | Fair |      |      | Fair |      |
| Texas          | Austin         | Good |      |      |      | Fair |      |
|                | Dallas         |      | Fair |      |      | Fair |      |
|                | El Paso        |      | Fair |      |      | Fair |      |
|                | Ft. Worth      |      | Fair |      |      | Fair |      |
| Utah           | Salt Lake City |      |      | Slow |      | Fair |      |
| Virginia       | Bristol        | Good |      |      |      | Fair |      |
|                | Norfolk        |      | Fair |      |      | Fair |      |
|                | Richmond       |      | Fair |      |      | Fair |      |
|                | Roanoke        |      |      | Slow |      | Fair |      |

## COLLECTIONS

## SALES

| State               | City        | Good | Fair | Slow | Good | Fair | Slow |
|---------------------|-------------|------|------|------|------|------|------|
| Washington          | Bellingham  |      | Fair |      |      |      | Slow |
|                     | Seattle     |      | Fair |      |      |      | Slow |
|                     | Spokane     |      | Fair |      |      | Fair |      |
|                     | Tacoma      |      | Fair |      |      | Fair |      |
| West Virginia       | Bluefield   |      |      | Slow |      | Fair |      |
|                     | Charleston  |      | Fair |      |      | Fair |      |
|                     | Clarksburg  |      | Fair |      |      | Fair |      |
|                     | Parkersburg |      | Fair |      |      | Fair |      |
| Wisconsin           | Fond du Lac |      |      | Slow |      |      | Slow |
|                     | Green Bay   |      |      | Slow |      |      | Slow |
|                     | Milwaukee   |      | Fair |      |      | Fair |      |
| Territory of Hawaii | Honolulu    | Good |      |      |      | Fair |      |

## ■ ■ COMMENTS ON COLLECTIONS AND SALES CONDITIONS ■ ■

**CALIFORNIA:** A marked improvement in collections is reported with a rating of "Good".

**CONNECTICUT:** Although December's sales were quite good, January witnessed a considerable drop. A large number of bankruptcies have been reported throughout New Haven, Hartford and Waterbury. Retail sales in Waterbury are rated "Fair" this month, owing to the number of "Price Reduction Sales".

**FLORIDA:** The failure of the City National Bank in Miami, during December, has slowed up this month's collections. The winter season starts with January and some improvement should be noted. Conditions in Tampa have not improved as expected owing to the low price of citrus fruits.

**ILLINOIS:** Conditions throughout the State of Illinois have not changed to any great extent, collections and sales averaging from "Fair" to "Slow". There is some indication of a revival of business in the city of Quincy; among the large manufacturers of machinery, pumps, compressors, elevators, etc. Orders are coming in more freely and some companies have enough orders on hand to keep them busy for the balance of this year.

**IOWA:** General conditions in Iowa continue on the upward trend. Collections and sales in Davenport have improved and the manufacturing plants in that city are taking on more help. Food lines throughout Des Moines are showing unusual activity.

**KENTUCKY:** General conditions in Kentucky remain at "Fair". The banking situation is retarding local business.

**LOUISIANA:** Collections in the sugar belt in Louisiana have been satisfactory but in the cotton section of Louisiana and Southern Mississippi they are very slow. The slackening of business in Southern Mississippi is due to recent bank failures. Normal business conditions are not expected for several months.

**MASSACHUSETTS:** At one of the Association meetings in Western Massachusetts many members declared that collections were on an average with those in 1928. They also reported that collections in the month of December and the first half of January have been steadily climbing. Groceries report sales very good, factories are taking on men slowly but steadily and prices of food are much lower. However, there is a very marked reduction in wages. It is reported that a real improvement will not be manifest until after the summer, but the general trend of conditions is upward.

**MINNESOTA:** Collections show an increase with all houses surveyed. Sales, however, show a

(Cont. on page 53)

## CHANGES SINCE LAST MONTH

| State         | City          | Collections  | Sales        |
|---------------|---------------|--------------|--------------|
| Alabama       | Montgomery    | Slow to Fair |              |
| California    | Los Angeles   | Fair to Good |              |
|               | San Francisco | Slow to Fair |              |
| Connecticut   | New Haven     | Good to Fair | Good to Fair |
|               | Waterbury     |              | Slow to Fair |
| Georgia       | Macon         | Slow to Fair |              |
| Illinois      | Peoria        | Good to Fair | Fair to Slow |
|               | Rockford      | Fair to Slow |              |
| Indiana       | Indianapolis  | Fair to Slow | Slow to Fair |
| Iowa          | Burlington    |              | Slow to Fair |
|               | Cedar Rapids  |              | Good to Fair |
|               | Davenport     | Slow to Fair |              |
|               | Des Moines    | Slow to Fair |              |
| Kentucky      | Sioux City    | Slow to Fair |              |
|               | Lexington     | Slow to Fair |              |
| Michigan      | Detroit       | Slow to Fair |              |
|               | Lansing       | Slow to Fair |              |
| Minnesota     | Duluth        | Fair to Good | Slow to Fair |
|               | Minneapolis   | Fair to Slow | Fair to Slow |
| Montana       | Helena        | Slow to Fair | Slow to Fair |
| Nebraska      | Lincoln       | Fair to Good | Slow to Fair |
|               | Omaha         | Fair to Slow | Fair to Slow |
| New York      | Elmira        | Slow to Fair |              |
|               | Utica         |              | Good to Fair |
| North Dakota  | Fargo         |              | Fair to Slow |
|               | Grand Forks   | Fair to Slow |              |
| Oklahoma      | Oklahoma City | Slow to Fair |              |
| Ohio          | Dayton        | Fair to Slow |              |
| Pennsylvania  | Johnstown     | Fair to Slow |              |
|               | Scranton      | Fair to Slow | Fair to Slow |
| Rhode Island  | Providence    |              | Fair to Slow |
| Tennessee     | Chattanooga   | Fair to Slow | Fair to Slow |
|               | Memphis       | Slow to Fair | Slow to Fair |
| Texas         | Austin        | Fair to Good | Good to Fair |
|               | Dallas        |              | Slow to Fair |
| Virginia      | Bristol       | Fair to Good | Good to Fair |
|               | Roanoke       |              | Slow to Fair |
| Washington    | Bellingham    |              | Fair to Slow |
|               | Seattle       | Slow to Fair |              |
| West Virginia | Charleston    | Slow to Fair | Slow to Fair |
|               | Parkersburg   | Slow to Fair |              |
| Wisconsin     | Green Bay     | Fair to Slow | Fair to Slow |

# Burroughs



One of many styles designed for the automotive business. It designates the commodity sold, cash or charge, and provides separate totals of quantities and amounts.

## *announces a complete line of* **NEW CASH MACHINES**

A distinct advance, applying new features and new principles to the registering and safeguarding of cash . . . Absolute protection together with greater speed and ease of operation . . . Made in a variety of styles and colors to meet the requirements of different types of business . . . Exceptionally low prices for all models . . . Concerns operating or controlling a group of outlets can effect substantial savings by standardizing on these new, sturdy, smart-appearing cash machines built and backed by Burroughs . . . Write for descriptions, prices and terms; or call the local Burroughs office. Burroughs Adding Machine Company, 6252 Second Blvd., Detroit



One of many styles designed for stores where several items are purchased at one time, such as food stores and cafeterias.



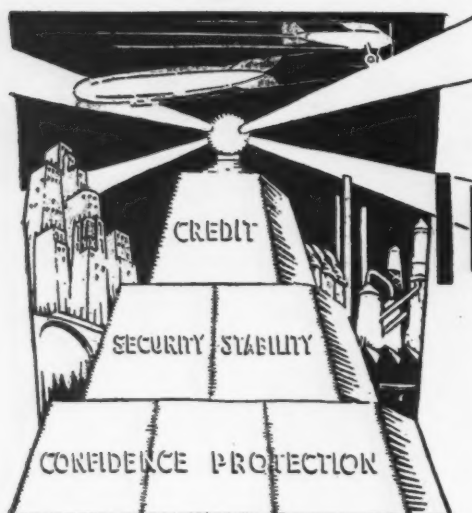
One of many styles designed for stores where single item sales are the rule, such as drug stores, hardware stores, etc.

**IMPORTANT ADVANTAGES**—Every sale printed and recorded . . . locked-in totals under owner's or manager's control . . . totals of quantities as well as amounts . . . separate totals of cash and charge sales . . . detail tape . . . enforced identification of clerks . . . validates paid outs or sales tickets . . . totals each customer's purchases, furnishes receipt . . . descriptive keys . . . easy key depressions . . . hand or electric models . . . requires minimum counter space . . . wide range of colors.

**FEBRUARY, 1931**

*When writing to Burroughs please mention Credit and Financial Management*





# INSURANCE DIGEST

As the credit executive is in closer contact with the insurance field than any other business man excepting the insurance man himself, the Insurance Digest has been inaugurated to fill the need of the credit fraternity for insurance news and information.

## Fire Losses Mount in 1930

The compilation by the National Board of Fire Underwriters of the losses by fire in the United States in the year 1930, shows that the fire waste last year was \$463,612,762, this being an increase of over forty-one million dollars over the loss of the preceding year. Losses in the second half of the year were comparatively greater, the loss in each one of the last six months having been greater than in the corresponding month of 1929. Some of the earlier months of the year also exceeded the same months in the preceding year. Part of the increase, avers the Spectator, can be ascribed to a greater moral hazard during the business depression from which the country is now emerging, and part, also, has been due to the drought which has afflicted various sections of the country. The great destruction of property in the past year has been due to many relatively small losses.

### Check These Points In Your Own Building

In an appeal to the building owners of New York City to co-operate in the matter of fire prevention, the Bureau of Fire Prevention of the Fire Department gives the following suggestions which should be read with interest by any building owner:

1. Maintain tanks, hose, valves, piping, pumps, siamese connections and standpipe systems in good working conditions.

2. Prevent the erection by tenants of partitions, shelving or decking which obstructs the distribution of water from sprinkler systems.

3. Recharge chemical extinguishers, the property of the owner.

4. Report to the owner and correct dangerous chimney and flue conditions. Look out for accumulations of rubbish, and for loose and defective wiring.

5. Guard against dangerous over-occupancy such as that brought by a tenant who rented on the basis of fifty persons per floor and crowded a hundred into the space.

6. Guard against the introduction of dangerous chemicals by tenants without proper permits or precautions.

7. Keep fire alarm batteries, bells and stations in working condition.

8. Prevent tenants from using their space for illegal occupancy.

9. Keep windows and doors to exits in good condition and look after exit signs and lights. See that a fire brigade or fire drill is maintained when required by law.

10. Compel the man in charge of the

building to secure a certificate of maintenance of standpipe, sprinkler, fire alarm and fire brigade and hold that man personally responsible.

## Coolidge Sees Life Insurance as Business Barometer

"In its larger aspects life insurance is certainly a business barometer," Ex-President Calvin Coolidge said in a recent statement. "The great increase in the amount of life insurance in force between 1921 and 1930 could not have been brought about unless the country as a whole had been in a remarkably prosperous condition. When business slackens and incomes decrease that is very certain to show in the amount of new insurance written. It may take some time but it is, in my opinion, certain to appear. When business first declines there is a certain amount of what might be called distress insurance which a great many people take out to balance the losses which they have incurred, but the people who can take that kind of insurance are soon supplied. After that need is filled, it is my judgment that a depression in business will show in a decrease in the amount of insurance that

would otherwise have been written. My conclusion would be that insurance is a business barometer to a somewhat limited extent and only after the elimination of certain facts from the equation."

### Do You Know Enough About the "Reduced Rate Clause"?

The Reduced Rate Clause (also known as the Co-Insurance Clause) is so fundamental to insurance that a clear understanding of its purpose and of how it works is absolutely essential. The Agricultural Insurance Company of Watertown, New York, in a booklet on the subject gives the following concise explanation of the Reduced Rate Clause:

"The fundamental reason for the Reduced Rate Clause is simply this—most fire losses are *partial*. Of the partial losses, by far the larger number are relatively small.

"Therefore, it is for protection against these partial losses that the larger portion of a man's premium is paid.

"Without the Reduced Rate Clause the man who insures a small percentage of his value, and pays relatively little in premiums stands a good chance to recover just as much, on the average, as the man who insures a high percentage and pays more.

"For example, A. and B. both own similar property valued at \$10,000. A. insures for \$8,000. B. for \$5,000. Rate in both cases, without Reduced Rate Clause—\$1.00 per \$100. A. pays \$80 per year, B. pays \$50. Both have losses of \$1,000. Both collect \$1,000. But A. pays \$30 a year, or 60 per cent. more than B. for the same settlement.

"Since the small loss is so much more likely to occur than the complete or nearly complete loss, obviously B's property value does not bear its fair share of the fire loss cost.

"The Reduced Rate Clause was created to even up these inequalities. It enables the man who wants to insure a high percentage of his property value to do so, without paying more than his fair share for that higher protection. That fair share is only what the smaller probabilities of high loss call for.

"With the Reduced Rate Provision, the high protection man and the low protection man pay relatively the same for average partial losses applying to their cases. The high protection man pays only a little more for the higher

amounts he can collect in case of total or nearly total loss.

"Thus, the Reduced Rate Clause equalizes insurance costs. It avoids asking one man to pay part of another's premiums for the same value received. It distributes cost more evenly. That's fairest to all. There you have the whole philosophy behind it."

### How Group Insurance Operates

One of the coverages which should interest executives is the group coverage which has had a very interesting development during the past twenty years.

Group Disability insurance, when efficiently administered, offers the following advantages. It develops good will among the employees of a company, thereby lessening employee turnover; it heightens efficiency by relieving employees of worry over financial set-backs during periods of disability. Compared with individual insurance its cost is much lower and the selection of risks much less rigid.

Group Disability insurance is usually issued under one of two plans: by Schedule or Payroll Percentage. Under the first plan, a Master policy is issued to an employing firm or to an organization, and certificates, subject to and within the provisions and limitations of the policy, are issued to each insured employee or member. Under the Payroll Percentage plan all employees of a firm are insured for not to exceed eighty per cent. of their monthly wages or salary, and the premium is a fixed percentage of the payroll. Under either of these plans the employer may or may not join with the employee in paying the premium. The schedule plan is usually preferred.

Group insurance, as issued by the National Casualty Co., is flexible and permits of the inclusion or exclusion of occupational accidents or sickness; the adjustment of policy terms to interlock with and supplement the coverage provided by Workmen's Compensation insurance; the inclusion of increased hospital indemnity and its conformity to the requirements of practically every class of industrial and commercial groups of twenty-five or more persons.

### Life Insurance Monopoly

Life insurance has been classified as almost a monopoly of the English speaking peoples by Frank L. Jones, vice

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### A Business Man's Life

**I**F you want a building, a machine, or a raw material, you order it to specification—and get what you order. Not so with men, especially those with executive, administrative, or selling ability. Business or inventive genius cannot be obtained on order and is rarely replaceable.

In almost every business, whether it be a corporation, partnership, or a sole proprietorship, there is one man—perhaps several—who is outstandingly valuable to the management of that business.

You know who these men are in your organization. If you are interested in a plan whereby Life Insurance can be applied in the permanent interest of your business, we shall be glad to supply information. Address:

INQUIRY BUREAU

*John Hancock*  
MUTUAL  
LIFE INSURANCE COMPANY  
OF BOSTON, MASSACHUSETTS

197 Clarendon St. Boston, Mass.

Please send information regarding partnership and corporation insurance.

Name.....

Address.....

C. M. OVER SIXTY-SEVEN YEARS IN BUSINESS

president of the Equitable Life Insurance Society of the United States.

The United States, with about six per cent. of the earth's population has 70 per cent. of the total insurance in force throughout the world, while English speaking countries represent 85 per cent. of the world's total.

### "Worse than War"

The Travelers has made an interesting statistical study of automobile fatalities and accidents, entitled, "Worse Than War." The booklet is illustrated by means of graphs and tables which drive home the astounding facts which this study revealed.

Last year, the survey shows, automobile accidents caused 32,500 deaths and 960,000 injuries. During the past eighteen months, more persons were killed in auto accidents than members of the A. E. F. during the eighteen months of its participation in the World War.

Statistics are given as to the causes of automobile accidents, where accidents are most likely to happen, influence of the type of car, age and sex of driver and conditions of roads.

FEBRUARY, 1931

When writing to John Hancock please mention Credit and Financial Management



## Doak: Man of Labor

(Continued from page 10)

nomic conditions."

Since the Industrial Revolution introduced machinery as a real competitor to labor, the question of how machine production affects employment has been one of paramount importance. Ten years ago, predictions were made that within five years, machinery would put so many laborers out of work that an economic revolution would result. All of these predictions seem to have been a series of bugaboos which were more sensational than factual. There is however a question of real interest inherent in the controversy of labor production versus machine production. In order to get Secretary Doak's ideas on this subject, I asked him the following question: "Do you believe that greater growth, expansion and perfection in machine production is going to create a serious labor problem that might bring about some of the critical conditions that have been prophesied for so long?"

"Mass production is of course based upon the fullest utilization of machinery, so the present economic status of this country from a production viewpoint is very largely dependent upon the excellent use to which machinery has been put. Whenever a machine is installed to do the work that men have formerly done, these men of course are put out of work. From this premise alone it seems that a greater utilization of machinery will create a still greater unemployment problem.

"This subject must be approached from the three angles of Capital, Management and Labor. Each of these three classifications is entitled to its proper remuneration either in the form of interest-profits, salaries or wages. All three classes are also necessary to our complex economic organization and each class also has the right to get a happy and satisfactory living for the function it performs.

"It seems to me that the problem presented in this connection is one of keeping the returns of the three divisions in proper ratio and proportion. As Capital's profits become greater, Management's salaries should increase proportionately and, in turn, Labor's wages should be greater. The problems we have confronted have been caused by the failure to keep these returns proportionate. It is natural that Labor is going to rise up in protest when Capital and Management profits rise in much greater proportion than do Labor's wages, and I do not believe that there

is any economic justification for a situation of this kind.

"Let us suppose that a battery of ten machines is installed to replace fifty laborers. Suppose the machine production enables the company to make its product at a much cheaper price and that very little, if any, of this saving is passed on to the ultimate consumer. Here we have a case of clear discrimination in favor of Capital and Management against Labor. A case like this is also an economic crime against the ultimate consumer. Now, if the economies realized through machine production are passed on to the ultimate consumer in the form of a much lower price, more purchasing power is created which in turn creates a greater demand for products and perhaps for luxury articles the consumer has not had the purchasing power to secure before.

### Balance of Returns

"This of course is a specific case but enlarged into a much greater scale, we have the proposition that machine production should lower prices to such an extent that greater purchasing power will be created to buy more products and new products which will automatically bring about a much great demand for labor.

"By the very nature of these circumstances, Labor's problem is also one of Capital and Management. I am convinced that if a higher degree of production efficiency were attained, many of our labor problems would be automatically answered. There is some justification for the hullabaloo which has been raised about the danger of the machine age to the laboring man and the responsibility for this concern devolves largely upon the shoulders of those who have not sought to keep a fair balance and proportion of returns between the three economic classifications I have discussed. This problem deserves the earnest analysis and consideration of every business and industrial executive. The future of industry and business depends upon the purchasing power of the consumer and by far the greatest majority of our consumers are laborers. Two or three large companies cannot answer the question alone. The principle of lowering prices and raising wages must be applied in every size and line of business if we are to reach anything like a permanent state of prosperity."

If business executives approached the labor problems of the country with the same comprehensiveness in understand-

ing and the same attitude of fairness that Secretary Doak gives to Capital and Management, at least three-quarters of the friction now existing between Labor on the one hand and Capital and Management on the other would be eliminated.

It is too bad that the nature and extent of the work done by the Labor Department is not more generally known. Secretary Doak told me of strikes, disputes and misunderstandings which are being settled daily by conciliation, mediation and arbitration by officials of the United States Labor Department. It is doubtful that many business men besides those involved in the settlements even know that this work is being carried on. The Secretary referred me to other officials in the department and after going over some of the records, I am convinced that executives are missing one of their biggest bets in not calling upon the Department of Labor for valuable information and that industrial concerns are missing out by not bringing their labor problems and disputes to the Department to the extent that they should. The conciliation and arbitration staff of the Department of Labor is the finest organization of its kind in existence. It has representatives speaking every tongue, understanding the racial psychology of every class of people and having the economic understanding and appreciation to successfully arbitrate the most difficult questions that can arise out of the complex relationships between Capital, Management and Labor.

Certainly one of the salvations of this country is a national organization for the stabilization of employment. In this connection the secretary told me: "Plans have been developed for a national organization to co-ordinate effectively all angles of the labor problem. With the small amount of money that we have to use, the Department is doing excellent work in registering unemployed, in finding jobs for them and studying conditions. Larger appropriations are needed to create a system of national labor exchanges operated by the government and administered with the help and co-operation of business. This would give a definite control of how many wage earners there are in each class, of whether or not a particular kind of labor has a heavy oversupply of workers and just how these disturbing conditions can best be remedied on a national scale. An organization of this kind will not only be of great value to the wage earner, but of real utility to business and industry and certainly

necessary to any form of permanent prosperity."

And at the head of this department is a hard-working, straight-thinking secretary who has been concerned with the welfare of the wage earner all his working life but who, at the same time, is not blind to the problems of those who come into conflict with labor.

## Fear: The Unwritten Coverage

(Continued from page 11)

of insurance and its present day practice.

When or where the practice of insurance originated is not quite clear. We know pretty well that the medieval guilds were accustomed to assist their members in times of need. The guilds themselves were organized by the artisan class when that class was just coming into being amid disruption of the feudal world. They were organized in order to gain respect, authority and permanence. Among other things, they guaranteed to the purchaser the excellence and reliability of the members' work; they saw to it that the articles manufactured by their artisan members were of standard quality.

But they not only guaranteed the outside world against fraud and inferior workmanship; they quickly realized that the security of their members against disaster was a necessary condition of sound workmanship. And they were quick to see that if John the weaver lost his looms, William and Edward the weavers were ultimately the worse off in spite of the disappearance of a competitor; not only because they might at some time suffer the same loss and need the same reimbursement, but also because *being organized* brought them many otherwise unattainable benefits. It is not surprising that these men were willing to forego certain private advantages for the sake of the continuing security and prosperity of each member of the guild. An assessment to reimburse a member for some accidental loss was for these men, theoretically at least, as much of a duty as regulation of the quality of his output.

Conditions in the business world have changed since the end of the Middle Ages. We no longer guarantee the excellence of our "competitor's" articles. Insurance is no longer one of many functions of a small homogeneous group of artisans. Rather it is a pro-

TECTIVE science in the hands of skilled professionals organized for the specific purpose. The world has become more and more complex. The variety of hazards has increased. So modern stock insurance companies have by necessity diversified their activities and have resorted to trained experts for the proper carrying out of their functions. In practice they have as a result become independent business units and therefore somewhat less personal though not less human. Insurance is not a mysterious matter, yet no one untrained in the business can equitably fix a rate or adjust a loss, and the finances of the companies require expert management.

However, these changes are after all superficial and do not much touch the essential nature of insurance. It still remains a fact that when any member of a community suffers loss, no matter how obscure his connections with another member nor how large the social unit, every member of the community suffers. For the prosperity of the community depends on the prosperity of the individual. As a matter of self-protection, then, the community must

secure the greatest prosperity of its individual members.

Individuals must be protected against loss of whatever nature. They must be protected against *fear* of loss, for nothing so paralyzes effort as the dread that we may not enjoy the fruits of our labor. One might almost say that half of the progress that humanity has achieved consists in greater security and sense of security for the individual. We have less reason now than ever before to fear disease, physical violence, or unjust deprivation of what we have worked to get. And though art and industry have thrived in ages more dangerous to life and property than ours, the moments and places of their flourishing were moments and places of relative security.

Stock insurance companies play their largest part in providing the security in which the individual labors and produces. It may not appear on the surface that they are eleemosynary institutions. They, like any one else, must earn to live. But fundamentally, their function is different from that of manufacturing and distributing; they

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"manufacture" and purvey the most intangible and most valuable of products, a sense of security and peace of mind.

They do this, not by creating values directly. No insurance company pays a loss out of its "private" funds. Nor can they by any magic restore what has perished. They act essentially as the old guild acted, but, of necessity, through more complicated and obscure methods. They distribute the loss that has come to a single individual over the largest possible group and so relieve the individual.

In so doing they act as the agent of the community. For the community, having for good reason consented to bear the loss, has expressly or tacitly delegated to the organized groups we know as insurance companies the labor of distributing the loss among its members. The community is willing to bear this loss because the communal spirit recognizes that it is better for all that no productive member of the community should perish or even be seriously hurt from either a personal or a business viewpoint.

Stock insurance companies in general recognize the duty which is delegated to them and no company can make a permanent success of its business if it considers its dealing with the public simply as a means of making money for itself. And conversely, these companies recognize as a part of their social function, to see to it that no single member of the community should profit beyond his just proportion.

When, therefore, we take out a policy and pay an insurance premium, we are not only buying something for ourselves. We are participating in a communal act, as we are when we pay taxes, contribute to the community chest or join the militia. And more or less surely, we participate to the extent of our obligation, that is, in accordance with our resources, in proportion as we actually share in the materially productive life of the community.

### Are You Getting Yours?

(Continued from page 13)

part of the raw material is purchased in all stages of partial manufacture ranging from pigs and blank castings to bars and sheets and forgings.

No article dealing with New England as a market would be complete without mention of the textile industry which is a large user of raw material purchased

outside New England. Approximately 1,700,000 bales of cotton are used each year in the cotton goods industry, and during 1929 that new and fast growing member of the textile family, the rayon industry, consumed 13,000,000 pounds of rayon in New England plants. The wool industries of New England absorb more than half of the raw wool consumed in the United States, or about 270 million pounds yearly.

In addition to these three principal branches of the textile industry, there is a market for a considerable volume of animals' hair, recovered wool, fiber, waste and noils. Silk manufacturing has been increasing in importance in New England in recent years consuming in the neighborhood of 5,000,000 pounds of raw silk, 2,000,000 pounds of spun silk and 2,500,000 pounds of organzine, tram and hard crepe twist each year.

One of the three largest manufacturing industries in New England is the shoe and leather business. Boston is considered to be the largest sole leather market in the country. During 1924, the last year for which figures are available, the net shipments of hides and leather into New England amounted to 137,461 tons.

There is one large industry that is all too frequently overlooked when discussing the industrial structure of any region, yet this industry is often used as a barometer by which to judge the activity of business and it offers an enormous market for industrial goods. This is the construction industry. The value of all construction in New England averages about 600 million dollars yearly, and the industry gives employment to about a quarter of a million people. Over 250 million dollars worth of material and supplies is used each year by New England's building industry, with more than 100 million dollars worth of this material coming from outside the New England area. Builders and contractors also purchase large quantities of tools, equipment and building machinery for use in all types of construction work.

A fact not generally known, but one which indicates very clearly the importance of New England as a market for producers located outside New England is that six tons of freight move into New England for every ton moved out. This is, in many cases, a factor in causing manufacturers located in other parts of the country to construct branch plants in New England close to the great city markets and to the excellent water transportation facilities available.

Inbound shipments consist largely of fuel, raw materials, foodstuffs and food, while manufactured goods constitute a large part of the volume of outbound goods.

In addition to being a large market for raw and semi-processed material, industrial equipment and supplies, New England provides a large food market. It is estimated that New England's annual food bill is about one and a quarter billion dollars annually. This large amount of food cannot be supplied from within New England. Over 5,000,000 tons of agricultural products are shipped into New England every year. Outward shipments amount to approximately 1,500,000 tons, leaving net inward shipments totalling 3,500,000 tons. In addition, net inward shipments of animals and animal products amount to 1,300,000 tons yearly.

In addition to market data supplied from various commercial sources, business now has, through the initiative of the New England Council, all-New-England development organization, as guide to the New England market the authoritative "Market Data Handbook of New England," and its companion volume, "The Commercial Structure of New England." These volumes are the result of researches made by the Department of Commerce at the request of and in cooperation with the New England Council.

It would be possible to continue to list the great amounts of raw and semi-finished material used in other New England industries but those already enumerated are sufficient to illustrate the capacity of the New England market to absorb raw materials and semi-finished goods, in large quantities, from other sections of the country. When it is realized that in addition to such materials, there is an unusually large and concentrated market for the sale of machinery of various kinds, and for equipment and supplies used in the manufacturing processes of New England's 217 different types of industry, the importance of the six New England states as purchasers of industrial goods becomes readily apparent.

### "Kwitten Credick Bizness"

O. O. MCINTYRE tells about the sign on a Georgia crossroads store run by a negro. "Kwitten the credick bizness till I get my outs in." The colored storekeeper, at that, is a few jumps ahead of some retailers we know.



## What! More Twins?

(Continued from page 15)

the customers cannot help but see them and in many cases it resulted in sales of items that the average customer did not know were being carried.

An exceptionally fine system is being used in the greeting card department. All cards upon arrival are given the retailer's own stock number. A sample book containing one card of each number carried is placed on the counter. The remaining cards are filed in filing cases fitted in the wall shelving directly in back of the gift case. When the customer selects the card desired it is only necessary to pull out the proper file and select the card.

The different cards are numbered in numerical order and filed under the proper heading. For example—B.C. indicates birthday cards, S.I.—shower invitations, B.A.—Birth announcements, etc. Selling time with this system has been reduced to the minimum.

A periodic check was made of the sales of three departments now having unit stock control. This check was made every two weeks for four weeks and the results compared with the results of the check taken during the two weeks' test period.

These checks showed the following increased sales in all departments as a result of the modernization service put into effect:

|                              | 1st<br>Period<br>% | 2nd<br>Period<br>% | Average<br>% |
|------------------------------|--------------------|--------------------|--------------|
| Toilet Goods Dept.           | 96.8               | 117.6              | 106.95       |
| Proprietaries<br>and Patents | 35.8               | 78.1               | 56.195       |
| Stationery                   | 83.6               | 71.1               | 77.45        |

The following shows the percentage of increased sales by lines:

|                     | Per cent |
|---------------------|----------|
| Box Stationery      | 307.9    |
| Dental Preparations | 33.5     |
| Soap                | 467.9    |
| Skin Lotions        | 471.1    |
| Shaving             | 226.2    |

## Escape

(Continued from page 17)

freight indicate that in a cautious way merchants are moving in the direction of rebuilding normal inventories. The improving ratio of steel operations after the recent maximum depression in that barometric industry is another preliminary harbinger which builds the hope that recovery may be in the offing.

However, coming on the heels of a severe worldwide depression, the recovery will necessarily be slow, irregular and disappointing for a time. Sober optimists should not minimize the need of time for the constructive effects of recuperating factors to take hold.

Sir Josiah Stamp, a director of the Bank of England and head of a great railway system, who combines practical sagacity with sound theoretical economic knowledge, in a message to Americans, recently sagely said: "Recovery must be gradual, but the patient must not do the things that would delay it. Above all, we must avoid making a Stock Exchange boom and overvaluing the recovery, otherwise a series of painful setbacks will weaken real optimists."

Although expecting 1931 to prove a year of moderate recovery, I see no sign that business will reach computed normal before early in 1932. I am inclined to believe that the first quarter of 1931 will be the poorest of the year, and the fourth quarter the best. I think that the entire second half of 1931 ought to make distinctly favorable comparisons with the corresponding months of 1930.

The head of one of the principal American commercial banks recently remarked to me: "Speaking to you privately, I cannot find it possible to join in the beliefs of the pessimists. We are in a major depression which, unlike many others with which it is commonly compared, is worldwide in its scope, and as such, is confounded by political and social evolution and revolution, and by practically every perplexing, specific question that has periodically been a disturbing element in the past, such as tariffs, bi-metallism, public ownership, and government control. With the closing of 1930, I think at home we shall have turned the page on most of our domestic, economic mistakes, and shall have had a clear view of the ills resulting therefrom. I am in hopes that this will mean that apprehension at least will be largely removed from the to be expected continued depression. If this be accomplished, then psychologically, we shall be ready for an improvement, and I am old-fashioned enough to believe that the real improvement will find its expression in the bond market and in the stock market before the

(Continued on page 43)

## Nationalize Your Credits

### Can You Watch Your Customers' Accounts

You can check upon your customers' affairs fairly closely, but what possible chance have you of checking upon your customers' customers?

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MODERN BUSINESS LAW. Jay Finley Christ.  
The Macmillan Co., N. Y. 1930. 612 pp.  
\$2.00.

Here is a find for business men who complain that the average text on business law is too technical to be of use to the layman. As it is designed for use in high schools and junior colleges, the treatment is direct and simple and the price reasonable, two points which should certainly not stand in the way of its sale to business men in this day and age.

Professor Christ puts "the law" before his readers in its social-individualistic character—as a device of social control. Law, he suggests, is not an end in and of itself. It is a part, and a part only, of that vast and closely interwoven fabric of social forms and patterns which shape the conduct of every individual in every society.

Like other human devices, the law does not do its work perfectly, and it works better under some circumstances than it does under others. But that it works at all, Professor Christ believes, is due to the fact that it is a part of the results of our experiences in social living. It is a social-control device which improves as our social experience becomes broader and deeper. It is against its social background that this book seeks to project the law as it is applied to business transactions.

The author frankly admits that so far as subject matter is concerned, it is inevitable that the volume should include much of the material treated in other books in the field. But it does occupy some blocks of territory new to books of this type, including the law of the employment relation, the law of competition, the legal relation of debtor and creditor, the risk-reducing aspects of law in general, and the nature and function of legal procedure.

There are 31 Chapters, arranged in the following general divisions:

- Part I The Nature of Law
- " II The Law of Contracts
- " III The Law of Property
- " IV Other Non-contractual Rights
- " V The Law of Marketing Operations
- " VI The Law of Credit Transactions
- " VII The Law of Employment Relations
- " VIII The Law of Business Associations
- " IX Law and Risks
- " X The Enforcement of Legal Rights

Part VI, which is the section credit managers would logically head for, contains three chapters, "The Law of Nego-

## THIS MONTH'S BUSINESS BOOK

THE ECONOMICS OF MONEY, CREDIT AND BANKING.  
F. Cyril James. Ronald Press Co., N. Y. 1930. 482 pp.  
\$4.00.

The author of this book is assistant professor of finance at the University of Pennsylvania, and the text has been adopted for use not only by that University but also by Brown, Vanderbilt, Washington and Jefferson, Duke, Syracuse, Williams, Hobart, Tulane, Virginia, West Virginia and a number of other colleges and universities.

Dr. James deals vigorously and comprehensively with the whole field of financial organization. He uses the functional method of approach, and the result is that the student or business man who reads the book gets a clear understanding of the important part played by the financial structure in our modern life.

The first seven chapters are concerned with money and its relation to the social order. The author discusses the nature and the evolution of metallic and paper money; the effects of the war on the gold standard; the indications and the results of inflation; and the supply of gold as related to the general price level.

He then turns to the subject of credit, covering its nature and functions; credit instruments; and the processes of foreign exchange. This leads naturally to the section on banking, and credit and banking dovetail throughout the remaining chapters of the book, as they do in our financial fabric.

There is an illuminating chapter on "Bank Credit and Business Fluctuations" which will stand a lot of reading at this particular time. In this chapter Dr. James discusses secular trend; seasonal variations; and the relation of bank credit to the business cycle.

Special chapters cover such subjects as inter-bank relations; commercial paper houses; commercial credit and discount companies; savings and investment banking institutions; agricultural credit facilities; and the operations of consumptive credit institutions.

In discussing the future of banking, Dr. James calls attention to the socialist theory that banking will disappear when and if the social organization comes to be based upon the principles of the socialist creed. It is difficult, he says, to see how the services of the banking system can be dispensed with as long as we are to base our economic organization on the principle of division of labor.

In conclusion, Dr. James notes the assumption by business enterprises of two operations formerly undertaken by commercial banks—the giving of advice to business concerns and the rendering of assistance in solving the financial problems of corporations. Large corporate units of the present day have found it profitable to set up within their own organizations financial departments which are competent to handle most of the financial routine arising out of the normal activities of the business.

tible Instruments," "Collateral Security Devices," and "The Relation of Debtor and Creditor."

The objectives of the last-named chapter are:

1. To describe the remedies by the use of which the creditor can collect valid claims from solvent debtors.
2. To show that the powers of the creditor are limited by certain privileges and immunities which the law accords to the debtor.
3. To show that it is the policy of the law to preserve at the same time the rights of the creditor and the productive powers of the debtor.

## Lawrence On Banking

BANKING CONCENTRATION IN THE UNITED STATES. Joseph Stagg Lawrence.  
Bankers Publishing Co., N. Y. 1930. 318 pp.  
\$5.00.

As branch and chain banking problems are being debated with vigor on many platforms just now, Mr. Lawrence has picked a psychological moment for bringing out his ideas on banking concentration. That he will have an audience is indicated by the hearty reception that was given to his "Wall Street and Washington" last year.

The scenario of the present book is based on four questions: Is the present tendency toward large-scale banking to continue? Is the unit bank to be swallowed gradually by the chain or branch system? What is going to be the attitude of Congress and the various state legislatures on bank mergers? Is the public going to be satisfied with large-scale banking as a substitute for the more intimate relationships of the unit bank?

For the time-being, says Mr. Lawrence, the forces of concentration are in the ascendant. Unless the movement is checked our unit banks are destined to succumb in increasing numbers. However, as the nature of the problem becomes better understood and the current illusion of superficial glorification of branch banking is checked by exposure, the tide may be definitely halted. Although the concentration movement is devoid of that sinister peril so readily envisioned by our legislators it is equally devoid of substantial economic justification.

Greater safety through concentration is, in the opinion of Mr. Lawrence, an illusion. The groups and chains are not interested in the acquisition of weak banks, and it is the latter which need protection. Any hope that greater latitude will solve the problem of bank failures is illusory, in spite of the contention of the Comptroller of the Currency that the removal of obstacles to branch bank expansion



sion will relieve us of the affliction of numerous bank failures.

Nor will such a change in the law help the investor in the long run. He may profit temporarily through an appreciation of his stock resulting from the common belief that a hundred banks in union can earn more than the same banks operating separately. Not only has this effect never been demonstrated but on the contrary there is substantial evidence to indicate that just the opposite results.

Mr. Lawrence believes that responsibility for our present bank failures rests upon the states. They have, he says, been deplorably lax in the chartering of banks and have ignored their responsibility to depositors through failure to insist upon adequate capital margins. He suggests that the earlier limit of \$50,000 capital for national banks be restored and that such capital become a condition of membership in the Federal Reserve System.

In order to be certain that the community actually needs the bank, and to relieve officials of the responsibility of making the decision, Mr. Lawrence suggests that it might be well to insist on citizen petitions before granting charters, no charter to be issued in a community of less than 3,000 unless a petition avowing a need for it is signed by at least 100 citizens.

## Escape

(Continued from page 41)

business charts show convincingly that business itself has improved."

This banking view fits in with the opinion of leading Governmental officials to the effect that the basic statistics of business will be late in reporting that the turn has come.

Dr. Julius Klein, assistant secretary of Commerce, in discussing this with me, said: "Statistical evidence of business recovery probably will not be available for a month or two after the turn, owing to the necessary delay in the collection and publication of these data. After our indicators of employment, physical production, and general volume of trade have recorded an appreciable increase extending over two or three months, I believe we shall be safe in saying that business recovery is under way."

Willford I. King, statistician connected with the National Bureau of Economic Research, emphasized to me: "When index numbers of wholesale prices, employment, and physical production definitely turn upward, the chances will be that better times are not far distant. Building, automobile production or the stock market may lead the advance—such is often the case."

Herbert Fleischhacker, outstanding Pacific Coast banker, in chatting about the signals of recovery, pointed out: "I should say, first, the statistics of matured plans—building contracts, unfilled steel tonnage, etc., second, statistics of accomplishment, such as employment, production, car loadings, retail sales, bank debits, etc.—all to be an-

ticipated by growing stability in commodity and securities markets, based on sound conception of values."

The economic pessimists and defeatists, who do not share the hope of recovery, perceive so many trees that they cannot see the woods. The fallacy in their thinking is that they confuse the return of a normal volume of trade with the coming of an economic millennium. Business, in my opinion, will reach the recovery and prosperity phase long before all the important pending problems have been solved. The return of normal business does not hinge on the establishment of either a perfect equilibrium or on universal poetic justice.

This observation is not intended to discourage a sincere attempt to grapple with the important issues. On the contrary, it is designed to inspire leaders with the will to go ahead, and to correct as many mistakes of the past boom as they can. The basic error was anarchy in business, resulting in uncoordinated competition running riot.

Perhaps the general lesson is the need of an informal economic general staff, which will seek to rationalize production and distribution.

## Direct Direction

(Continued from page 20)

sembled easily? If a sudden need arises to change the office layout can the partitions be used practically intact or will there be much scrapping? Can the partitions be readily cut down in width, if necessary, without becoming unbalanced or unsymmetrical? How does the finish last? Will a year or two of use mar and chip the finish and make partitions look dingy? Will the base board resist the cleaning woman's caustic or the banging of her vacuum cleaner? Are there dozens of parts to become loose and require constant attention? If service is needed, is there a strong, efficient organization ready to render it immediately? These are a few questions which furnish a partial yardstick for measuring a partition's worth. Every one of them can be answered affirmatively by reliable manufacturers of both wood and steel partitions.

Strength is imperative. Better no partitions than ones that wobble or sag. Proper erection should be considered. How are the partitions arranged for wiring; for base plugs, electric outlets, telephone connections?

Last, but by no means least, consider the appearance of your partitions. It is a wise economy to have your office as up to date and attractive as possible. Not only for the effect upon your customers, but for the far greater effect upon your employees who work there every day. In normal periods the mere appearance—the atmosphere—of an office has a direct relation to turnover and even wages. Clerical workers, particularly women, will stay longer in an attractive office than they will in one which repels them. They have even been known to accept slightly lower wages to work in a place which, in their words, had a "nice atmosphere."

Whether wood or steel is chosen depends upon conditions to be met and, to a large extent, personal preference. The one definite advantage of steel, namely its fire resistive qualities, has now been challenged by fire-proofed wood which has successfully withstood grilling fire tests. It can, however, be said that leading manufacturers in both fields offer a product on which the same care and attention to detail is lavished as on the making of a fine precision instrument.

You may, however, have the best office layout in the world. The chart of your work flow may be ideal. But if management does not provide workers with the equipment that is best suited to the needs of the particular job to be done—the flow of work will not be smooth and uninterrupted; increase in output will be greatly hampered.

If works managers regarded factories with the same attitude that office managers regard offices, we would have some queer places. Production would fall to pieces over night. The factory superintendent doesn't give a sewing machine to a steel worker and expect results. He does not order "a dozen machines." He regards his machinery functionally. He wants the best machine for the particular job in hand. He is constantly on guard against obsolescence; against the slowing down of production. He is alive to every modern improvement in his field.

What of the office manager? A recent survey, made by *System*, indicated that offices were operating with equip-

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ment from 25 to 75 per cent. obsolete! Office management still tends to think of desks only as desks, files as places to put papers and chairs as anything on which a human being can sit. I have seen thousands of requisitions for office equipment in the purchasing departments of scores of firms, large and small, and not five per cent. specified what *kind* of equipment was wanted or *the job for which it was intended*. Yet we complain because our office workers are not more efficient.

The casual acceptance of any old desk, file, chair, etc. as "good enough" is ruinous to efficient operation. Valuable space is wasted riotously with desks larger than the job requires and the use of four drawer files where floor space is limited. The energy of workers is thrown away combatting the fatigue of chairs which are definitely uncomfortable for long periods of sitting. A change of viewpoint on even these three items of office equipment will do much towards reducing that "damned nuisance, office overhead."

Desks, files and chairs are tools in the production of office work. They can slow up the job or accelerate it. They can be an expense or a profitable investment. They must, however, be selected on the basis of their use in organizing each worker's job for maximum production with a reasonable effort. The needs of each department and, if necessary, of each individual in that department, must be conscientiously analyzed. The equipment that best serves those needs must be provided by the management. When the management shows that it considers the work important enough to furnish the proper tools with which to perform it, workers will be more serious about their tasks and, necessarily, more efficient.

The management of the *Brooklyn Daily Eagle*, one of the most widely quoted newspapers in the country which, last year, became part of the Gannett group, realizing the importance of modern tools for their workers, planned their office equipment needs with the same care that they planned their new building.

Few organizations have the problems of a newspaper office in the necessity for speed and accuracy in the continuous flow of work. Necessarily, there is a mountain of detail work. It must be handled quickly. Overhead must be kept to a minimum. The day of old-fashioned, picturesque London offices is gone. The modern newspaper

office is like a battleship with its desks cleared for action.

Since the experience of the *Brooklyn Daily Eagle* typifies the progressive attitude in office management, it may be recounted here. First of all, the *needs* of each department were considered. The business office, the editorial room, the advertising department and the classified department all had different types of work. They represented slightly different equipment needs.

#### YOU CAN GET

a chart for use in planning the general layout of your office and also a booklet about the arrangement of partitions and the placing of office furniture in private and general offices, by sending in your request for this valuable information to Credit and Financial Management, One Park Avenue, New York.

A type of desk, introduced last year by a leading manufacturer, was finally decided upon as best meeting the general organization needs. Because of the organization of inside drawer space, the working top of this new type of desk can be kept clear of everything except the immediate tasks at hand. Among the innovations of this desk are the placing of the "in" and "out" letter trays in a drawer; the construction of a complete data file, variable to meet individual needs, in another drawer; a concealed waste basket; a card tickler file and visible index and provisions for having all buzzer, electric and telephone wires concealed. Provision has even been made to keep a flat type telephone in one of the desk drawers.

Briefly, the central idea has been to provide a complete production unit which, while keeping everything necessary for the job right at the worker's fingertips, gives the employee a chance to concentrate by freeing the top of his desk—the working surface—from the distracting clutter of mail baskets, pending papers, telephone and general confusion. Yet, since the inside of the desk is organized, nothing can be just "stored away" and forgotten.

Because of the greater area of working space thus made available, the *Brooklyn Eagle* found fifty-five inch desks adequate for their business office.

While plenty of space was available for larger desks, it was desired not only to leave a broad aisle for office traffic but to provide ample room for future expansion. The same size desk also met the needs of the classified department. Here the saving of five inches per desk gave ten inches more width to the aisle and helped maintain the spacious appearance of the balcony where this department is housed. Appearance, in this instance, was an essential because of the contact with the public in this department.

Reporters, however, do not need spacious desks. They only want a place at which to type, a place in which to keep some copy papers and some space for current data. Forty-five inch typist's desks were used, with more than ordinary knee space to give added comfort. Since reporters sit and type rapidly for long periods, special posture chairs were installed to reduce bodily fatigue to a minimum. In the editorial department the tops of these organized desks were welcomed because they withstand the inevitable cigarette burns of busy reporters.

In the advertising department space was a factor. Since this is essentially a selling department and desks are occupied only intermittently, forty-five inch desks were found adequate. Through systematized drawer space for holding the necessary data and impedimenta of a salesman, these desks provide an ample working top. Had sixty inch double pedestal desks been used it would have meant the elimination of eleven desks in this department.

These four examples illustrate the fundamental idea which should guide every office purchase—whether of desks or other equipment. The *Brooklyn Daily Eagle*, of course, went much further in its analysis than merely considering the size of the desks. The interior of each desk for each department is arranged to meet the needs of that department and no other. If any employee is absent any relevant papers can always be easily located since they are in the place provided for them and, without a deliberate and conscious effort, cannot get "shuffled around" or mislaid in desk drawers. The point is that the *Eagle* used planned purchasing, on the basis of needs to be met. It took into consideration all relevant factors and made its decision on a basis of the functional value of equipment to the organization.

New desks or new equipment is never an expense if bought in an intelligent way.

## Destiny

(Continued from page 24)

productivity theory of wages—to the widespread realization of the fact that substantial increases in real compensation for work done can come, in the long run, only from increases in the productive efficiency of labor.

For the general acceptance of this point of view, which is perhaps peculiar to the United States among industrial nations, special credit should be given to the National Bureau of Economic Research, with which I have been connected since its organization. Among the score or more of business men, economists, and labor leaders who direct this organization, particular credit is due to certain "statesmen in labor" who have unhesitatingly accepted the results of the economic studies which have been made and have applied these results to the determination or modification of the economic policies of the great labor unions with which they have been associated.

All the preceding leads to the conclusion that so far as the great masses of the working population are concerned, management and large scale business are at least on the road toward the meeting of their human obligations. There are still definite problems to be solved. Rapid increases in productivity create "technological unemployment" in the industries which are subject to a relatively fixed demand. This problem becomes particularly serious in cases where whole communities are dependent upon a single industry, or a few industries, of this type. Pension plans are limited in their benefits to employees who continue with a particular concern, and the employee who is compelled to shift from industry to industry is thereby specially penalized. The very improvements in personnel work, which are providing improved working conditions and a greater security of employment for the older workers, tend to establish barriers against the reemployment of such older workers when they are compelled to change occupations. Yet, with all these difficulties and imperfections in our industrial system, the surest promise for the future seems to lie in the fact that these maladjustments have only to be pointed out to receive a type of consideration that a few years ago was unknown in American industry—a consideration which, as I have said before, is based not on sentimentalism, but on enlightened self-interest,

and which assumes from the beginning that the solution of such difficulties is a definite obligation of industry and is required for the maintenance of that sound industrial *esprit de corps* from which alone can come the constantly increasing productivity upon which the whole of our modern industrial structure is founded.

From the standpoint of the ordinary worker, it is therefore, I believe, a reasonable conclusion that management and large scale business are justifying themselves. All the evidence indicates a constant trend in this respect toward better rather than worse conditions. Indeed, the larger and more firmly established a business or industry is, the better are apt to be its working conditions for the masses of its employees, and the more enlightened tends to be its self-interest with respect to the maintenance of such working conditions and to the observance of its obligations to the public as a whole.

We come now to what is perhaps the most important problem of all, the relations of large scale business to the managing group—that is to say, to that selected small fraction of the entire population to which business and in-

dustry must look in the present and future for leadership and progress.

This problem is radically distinct from that affecting the great body of corporation employees. If an organization is good at the top, it is quite certain to be good throughout all its ranks; but an organization may violate all the rules of good management at the top and still show a skilled and considerate handling of the lower ranges of its personnel.

The reason for this variability between the top and the bottom of business organizations is obvious from a little study. The personnel manager, as a staff worker in a large organization, cannot begin to make his influence felt in the two or three upper tiers of management. He can often exert a compelling influence on the conduct of foremen, and of superintendents and unit managers; he can systematize plans and procedures for employment, for the fixing of wage scales, and for the judicial hearing and adjusting of grievances in the lower ranges of the organization. But he cannot greatly influence the vice presidents, even if he himself ranks as one; and still less can he indicate to the president or chairman the

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FEBRUARY, 1931

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effect that violations of sound managerial principles in these upper ranges of the organization may have in ruining morale and in threatening the very integrity of the enterprise.

As the result of this special disability of the personnel officer, the human problems in any large scale organization are sharply divided. The handling of personnel in the lower ranks is tending more and more to be determined by an enlightened self-interest and to be based increasingly upon scientific study and tested experience. But in the upper ranges science ceases to prevail and the organization tends to become highly personal and political in type.

To a large extent this change in the character of management from the lower to the upper levels cannot be prevented. In corporations having a widespread ownership of stock, with no dominating shareholders, it is inevitable that the management shall select the directors, rather than the reverse. The directors so selected are chosen for a variety of reasons—some represent banking groups, others have close affiliations with corporations or other outside interests with which it is desired to maintain friendly contacts, still others represent window dressing for public purposes, and, finally, there is always a substantial representation of personal friends of the chief executive officer or officers.

Under those circumstances the directors have a tendency to confine their activities to those financial problems for which they cannot escape responsibility, and otherwise have a natural and instinctive hesitation to question or interfere with details of management.

The condition just indicated is typical of, perhaps, nine out of ten large scale businesses. The directors will set up their own initiative on financial matters or on problems of business expansion, but otherwise they concern themselves with the details of management only when, and to the extent, that they are consulted by the chief executive. Furthermore, while the board will necessarily act in case a change of chief executives is required, its choice of a new executive must, almost of necessity, be made primarily from the standpoint of the financial and operating efficiency of the new choice, rather than the standpoint of his known repute as a trained and human-minded executive.

To seek to change this situation is perhaps to hunt for perfection in a world that is necessarily imperfect. Yet the fact remains that we are faced by



# ANSWERS TO CREDIT QUESTIONS

Conducted by Walter C. Foster

## Notes

**Q.** In view of the fact that the legal rate of interest in Michigan is 5%, is a note bearing 7% interest legally enforceable?

**A.** While the legal rate of interest in Michigan is 5 per cent, the parties may contract in writing for a rate of interest not exceeding 7 per cent. It would appear, therefore, that a note bearing 7 per cent interest is valid and enforceable.

## Transfer of Real Estate

**Q.** How long must a transfer of real estate in the state of North Carolina stand of record to make it valid in case the grantor is subsequently adjudicated bankrupt?

**A.** There is no set rule with respect to this matter in the state of North Carolina which would not be applicable everywhere throughout the country. If a conveyance of real estate is made for a past consideration in payment of a debt or as security and has the effect of operating as a preference to the grantee, it is subject to be set aside pursuant to the provisions of the Bankruptcy Act, Sec. 60, at any time within four months after the deed has been recorded. On the other hand, if the transfer was without valid consideration and was made with intent to hinder, delay and defraud creditors, it is subject to attack by the trustee in bankruptcy even though recorded more than four months before the filing of the petition in bankruptcy. In order to attack a transfer as a preferential payment, it must be shown that the creditor knew or had reasonable cause to believe that the transfer would operate as a preference and that the grantor was insolvent.

## Claims

**Q.** Under the laws of Texas, is there any difference in the standing of a creditor's claim based on open account as compared with the claim on promissory notes in the event of a proposed settlement?

**A.** So far as we are advised, there is no distinction of any kind to be made.

## Receiverships

**Q. (a)** Where a State Court receivership is terminated by bankruptcy, do the unpaid debts contracted by the receiver have preference over the original liabilities of the business?

**A.** The State Court Receiver may and should retain enough of the property of the estate to pay all debts which he has contracted before turning over the balance to the receiver in bankruptcy. All such debts contracted by him, if incurred under authority of the Court appointing him, are entitled to priority over the debts of the business.

## As to Legal Advice

**THE** National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the Credit Monthly. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

**Q. (b)** If the business is liquidated in bankruptcy, is the receiver's indebtedness paid in full out of the estate before the original creditors participate, or are all creditors paid pro rata?

**A.** If the State Court Receiver turns over the assets to the receiver or trustee in bankruptcy without retaining sufficient to pay his own liabilities, he may have a trust impressed upon the assets in the Bankruptcy Court for the payment of his fees and expenses and liabilities, including any indebtedness which he has incurred in the operation of the business.

**Q. (c)** If a creditor is owing the bankrupt for an advertising bill, contracted before bankruptcy, is it permissible to deduct the amount of same from the claim against the estate?

**A.** The Bankruptcy Act expressly provides that debits and credits may be offset one against the other.

**Q. (d)** Is there any brief resume of the procedure in assignments and receiverships which could be secured?

**A.** We know of no brief resume of the procedure in assignments and receiverships except the resume of the subject which appears in the Credit Manual for 1931.

## Presentation of Notes

**Q.** Where a note with several endorsements is sent to the bank where it is made payable for collection and said bank is closed, what is the legal procedure for presenting the note? Providing the bank's doors are closed altogether or the affairs of the bank are in the hands of the State, is it required that the note be presented at the door of the bank?

**A.** A note should be presented for payment at the place where it is made payable regardless of the fact that it may be payable at a bank which has been closed. Notice of non-payment and protest should be given to the endorsers.



a serious problem in the need for the extension into the upper ranges of corporation organization of those principles and practices of good management which are beginning to be a commonplace in the lower ranges. University authorities are today warning their graduates not to seek employment with certain important corporations that are in bad repute with respect to the handling of the upper ranges of their personnel. Investment experts are turning against the securities of corporations that show a lack of morale in their managing groups. Personnel managers in private conferences tell lurid tales of demoralization, of aggregations of "yes" men, and of political tricks and byplay in the upper realms of their organizations. Periodically one important corporation after another is wrecked or gets into serious difficulties by reason of the disruption of the upper ranks of its working staff.

The problem is clearly one of education—of establishing, publishing, and reiterating the elemental principles of good management until they are so generally accepted that even the most self-willed type of executive will feel constrained in good part to observe them.

The more important of these principles may be set forth in very definite form as the following ten rules, or "commandments," of good organization.

1. Definite and clean-cut responsibilities should be assigned to each executive.
2. Responsibility should always be coupled with corresponding authority.
3. No change should be made in the scope or responsibilities of a position without a definite understanding to that effect on the part of all persons concerned.
4. No officer or employee, occupying a single position in the organization, should be subject to definite orders from more than one source.
5. Orders should never be given to subordinates over the head of a responsible officer. Rather than do this the officer in question should be supplanted.
6. Criticisms of subordinates should, whenever possible, be made privately, and in no case should a subordinate be criticized in the presence of officers or employees of equal or lower rank.
7. No dispute or difference between officers or employees as to authority or responsibilities should be considered too trivial for prompt and careful adjudication.
8. Promotions, wage changes, and disciplinary action should always be approved by the officer immediately superior to the one directly responsible.
9. No officer or employee should ever be required, or expected, to be at the same time an assistant to, and critic of, another.
10. Any officer whose work is subject to regular inspection should, whenever practicable, be given the assistance and facilities necessary to enable him to maintain an independent check of the quality of his work.

To the preceding might be added a further rule prohibiting nepotism, as well as a rule that was given to me not long ago by a very skilled and experienced executive, who said that in handling the upper ranges of his organization he had found it most important that officers, who had attained a position which justified their being considered to be part of the permanent staff, should retain the personal dignities of their

(Continued on page 49)

## IRVING Trust Company NEW YORK

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### *Statement of Condition, December 31, 1930*

#### RESOURCES

|  |                         |
|--|-------------------------|
| Cash on Hand and Due from Banks . . .  | \$221,887,059.20        |
| Call Loans, Commercial Paper and Loans eligible for Rediscount with Federal Reserve Bank . . . . . | 114,978,170.82          |
| United States Obligations . . . . .  | 57,104,012.67           |
| Short Term Securities . . . . .  | 70,311,104.00           |
| Loans due on demand and within 30 days . . . . .   | 112,536,483.50          |
| Loans due 30 to 90 days . . . . .  | 95,046,844.58           |
| Loans due 90 to 180 days . . . . .   | 48,722,477.92           |
| Loans due after 180 days . . . . .   | 1,586,327.32            |
| Customers' Liability for Acceptances (anticipated \$2,691,682.72) . . . . .                        | 67,000,562.37           |
| Acceptances and Bills sold with our endorsement (per contra) . . . . .                             | 44,264,743.84           |
| Bonds and Other Securities . . . . .   | 18,589,772.35           |
| New York City Mortgages . . . . .  | 9,998,264.10            |
| Bank Buildings . . . . .   | 19,340,997.94           |
|  | <u>\$881,366,820.61</u> |

#### LIABILITIES

|   |                         |
|---|-------------------------|
| Deposits . . . . .  | \$571,840,894.16        |
| Official Checks . . . . .   | 53,650,001.76           |
|   | <u>\$625,490,895.92</u> |
| Acceptances (including Acceptances to Create Dollar Exchange) . . . . . | 69,692,245.09           |
| Acceptances and Bills sold with our endorsement . . . . .               | 44,264,743.84           |
| Discount Collected but not Earned . . . . .                             | 1,231,223.05            |
| Reserve for Taxes, Interest, etc. . . . .                               | 3,297,259.71            |
| Dividend payable January 2, 1931 . . . . .                              | 2,000,000.00            |
| Capital Stock . . . . .   | \$ 50,000,000.00        |
| Surplus and Undivided Profits . . . . .                                 | 85,390,453.00           |
|   | <u>135,390,453.00</u>   |
|   | <u>\$881,366,820.61</u> |

FEBRUARY, 1931

*When writing to Irving Trust please mention Credit and Financial Management*



# IN THE MODERN OFFICE

An idea and experience exchange on equipment, system and management in the modern credit and business office.

## Award for Accomplishment in Office Management

The National Office Management Association has announced an annual award, the Leffingwell Medal, for outstanding accomplishments in the field of office management. The accomplishment may take the following form:

1. Better organization or control of office work.
2. Improved office methods or procedures.
3. Better technique for attacking office problems.
4. Research yielding conclusions of significance in office management.

The award is most likely to be given for work that contributes new thinking to the science of office management. It may, however, be granted for an outstandingly progressive installation of such management devices as salary standardization, job analysis, payment-by-results, effective office lay-out, and so on. The award is not to be given for a machine, an appliance, a device, or for a book.

A concise but complete story of the work done must be submitted to the Board of Award, whose address is c/o National Office Management Association, 8 East Market Street, Indianapolis, Indiana, for consideration by the judges. It may be prepared by the individual responsible for the work, who would receive the award, or, with his permission, by someone else acquainted with the work. It should be submitted in duplicate to the chairman of the Board of Awards. Material offered for the award must be in the hands of the

Board of Award by March 1, 1931.

The write-up of the work done should contain a description of the situation before the work was started; the steps in the development of the new organization or methods; a description of the situation after the work was done and measured results and cost of development.

For further information, write to H. C. Pennicke, Secretary, National Office Management Association, 8 East Market St., Indianapolis, Ind.

## How to Collect Unearned Discounts

*Kenosha*—Here's a simple plan that may help to keep the Cash Discount Evil "on the run"—we find it very effective.

When a check is received with excess discount or unearned discount deducted from our invoices, the check goes through in the usual manner but instead of giving credit for the discount a colored "Double Entry" form is filled out and attached to a remittance letter. The cash is posted and the debit and credit or double entry for the amount of unearned discount is posted for the accounts receivable ledger, for example:

|                   |        |   |          |
|-------------------|--------|---|----------|
| 11/20 Invoice     | 100.00 | X |          |
| 11/22 " "         | 50.00  | X |          |
| 1/10 Cash         |        |   | 147.00 X |
| Unearned Discount | 3.00   |   | 3.00 X   |

The only open item is now the discount shortage, which stands out plainly as being unpaid.

After the day's postings are balanced the remittance letters are sorted for fil-

ing and those having the colored Double Entry slips attached go to the billing department where a regular invoice is made out to the customer showing the date of bills, date of payment and unearned discount charged back. This invoice is mailed to the customer with a short form letter outlining our terms and discount policy, stressing the "fair play" idea.

The posting copy goes through as a follow-up as the charge already shows on the customer's account.

When the "follow up" comes through 7 to 10 days later it is surprising to find the number of discount shortages that have been paid.

If payment is not made in response to the billing, the item is shown on statements and included in the regular collection routine.

C. L. BONSON  
*The Allen-A Company.*

## Inter-Phone System

The Inter-Phone System which provides immediate, direct communication between all the departments and members of an organization is a great time and energy saver.

A moderately-priced system installed by a leading electrical appliance company provides service from four to nine stations, selective ringing (any station may ring any other station) and common talking (only one conversation can be held at a time). More complex systems can also be installed by this organization.



## Destiny

(Continued from page 47)

rank, according to seniority and service, regardless of any reassignments of duties that might become necessary.

All these rules require little explanation or justification to trained executives. Each rests upon a foundation of human experience which began hundreds of years before large corporations were known. Nevertheless, it may be worth while to amplify the underlying reasons for certain particular rules.

The need for a clean-cut and definite allocation of responsibilities lies as much in the importance of making sure that there is some one man in the organization who knows beforehand that he is responsible for each particular situation that may arise, as it does in the necessity for avoiding conflicts between two or more officers, each of whom may feel that the particular situation comes under his jurisdiction. Any indefiniteness in the assignment of responsibilities penalizes the conscientious employee in favor of the unscrupulous grasper for power.

The rule regarding the coupling of responsibility with corresponding authority is necessary not only to assure that prompt action can be taken by junior officers, within the limits of their responsibilities, but also to make certain that situations, that should be referred to senior officers, are so referred.

Theories of functional organization have been set up in violation of the principle that all orders involving action should move to any given man through a single channel; but the consensus of opinion among the great majority of skilled executives is that functional instruction and contacts with staff departments can be adequately handled by setting up appropriate lines of technical relation and information, without, in any case, establishing a duplication or division of authority.

Rule five, which states that orders should never be given to subordinates over the head of a responsible officer is probably the one most frequently violated, and the neglect of which is most destructive of organization morale. It is the instinctive feeling of the untrained executive—of the man who has been accustomed to get action in any manner possible—that the consistent observance of this rule is wasteful of time and effort, and tends to build up a military and bureaucratic rigidity within the organization. But this fear is never felt by the thoroughly skilled executive,

who takes pride in being able to secure prompt and effective action along organization lines, and who realizes that the inevitable result of giving orders over the heads of his subordinates is to create in such subordinates a feeling that they must, in self-protection, keep their own assistants relatively untrained and uninformed, and, in fact, must avoid engaging or retaining assistants of high enough caliber to endanger their own positions.

The principle which states that any criticism of a subordinate should be made in private needs no special discussion. Loyalty to leadership can exist only when the leader is most careful to safeguard the pride of his subordinates. In case of doubt, therefore, even an implied criticism should be made privately, rather than publicly. A true leader may labor to reduce the excessive touchiness of the supersensitive man, but he will realize that this can be done only by careful handling. He will, furthermore, realize that the conscientious and earnest worker is always apt to be sensitive, whereas the tricky and unscrupulous individual is very apt to be thick skinned.

The importance of careful adjudication of all disputes and differences between departments and employees, no matter how trivial, does not need to be urged upon the trained executive. Each such difficulty that is carefully investigated and adjusted will prevent a dozen others from arising. Furthermore, it is only when such differences and disputes arise that the executive gets a real opportunity to see the inwardness rather than the surface of his organization. The administrator, who is impatient of such differences, or who fails to recognize that they give him his best opportunity for constructive work in the building of his organization, favors the unscrupulous and grasping subordinate and penalizes the conscientious worker. Such an executive is like the man who curses a squeaky bearing in his automobile, in place of oiling it.

The rule which provides that promotions, wage changes, and disciplinary action shall always be approved by an officer one step up the line from the one directly responsible, is a fundamental one, but represents the minimum rather than the maximum requirement to assure judicious action. Still further safeguards may often be desirable, although care must be taken in the reverse direction not to build up such safeguards to the point of unduly weakening the authority of subordinate officers or of de-



**Protection**  
—But . . . . .  
**STEEL SAFES** will guard your important papers against fire, but the *writing upon them needs the extra protection* against blistering heat and steaming moisture which is accorded by Higgins' Eternal Black Writing Ink!

Giving distinction to your writing as well as protection, this remarkable ink reflects the slightest pressure of your pen-stroke accurately and permanently—an admirable characteristic which has stimulated its selection by discriminating individuals everywhere for business and personal writing.

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stroying their initiative in the handling of personnel.

The ninth rule, which states that no officer or employee should ever be required or expected to be at the same time an assistant to and critic of another, applies particularly to inspection and accounting work. An inspector or accountant assigned as a staff assistant to a local or unit manager should not be expected to check up, or report upon, the work of such superior officer in any way other than through the preparation of regularly required routine reports. Special audits and inspections should always be made by separate representatives detailed for this purpose from the general offices.

The final rule has its origin in the fundamentals of human nature. No man likes to have an outside inspector find him continually at fault. Each important operation or practice should nevertheless be subject to recurring inspections at whatever intervals are required to maintain standards. These inspections should, however, be controlled and directed by the lowest officer in the organization who is capable of supervising the work, and the work of the general inspection organization



should be directed primarily to checking up the local inspections and to the making of only a few direct inspections as a final safeguard.

Needless to say, the preceding do not represent all the rules of good management. I have attempted merely to indicate certain principles that are so generally accepted by skilled administrators that they may properly form an initial basis for education and publicity in the effort to raise standards of executive performance.

The problems of management must, however, be solved in the end by men rather than by rules or principles.

The old maxim that a stream can rise no higher than its source applies with particular truth to a business or industrial organization. It is often said that the president is known by his office boy, and it is a matter of common experience that, in the majority of business and industrial organizations, the character and point of view of the personnel are colored throughout by the character and qualities of the chief executive officer, or of one or two dominant figures on the executive staff.

The chief executive is of necessity the chief personnel officer of his organization. If he is of high intelligence he will be apt to appoint and retain intelligent subordinate officers. If he is of mediocre intelligence he will tend to surround himself with intelligences of the same type. The executive who has that wisdom and judgment that is higher than intelligence will surround himself with subordinate officials who may outclass him in fundamental capacity, and yet willingly serve him because of his human qualities. On the other hand, the executive who resents independence of thought on the part of his subordinates will, in due time be wholly surrounded by "yes" men, courtiers, and office politicians.

The ideal executive will almost automatically secure from his subordinates all that energy and effort which they might put into business ventures of their own. On the other hand, the inferior executive—the man who cannot command the full confidence and respect of his subordinates—may sometimes secure a measure of results by pure driving power, but will surely fail to build an organization that is alive and vital in all its members.

It is, however, easy to criticize and difficult to suggest a remedy. Corporation chief executives on the whole represent a superior rather than an inferior cross section of the American people.

A considerable number of such executives head industries which they themselves have developed; others are the accidents of circumstances; but the great majority represent the best selections that boards of directors have been able to make.

To improve the quality of chief executives as a whole it will be necessary to improve the judgment, if not the qualities, of the average board of directors. Some gain may, however, be made if the average board of directors knows where it can call upon personnel experts of adequate standing and capacity to make at least a routine check-up of the candidates in sight when a new election is to be made.

Every man who is a candidate for an executive position should be examined from three angles—from the top, to find how he deals with his superiors; from the side, to see how he deals with his associates; and most important of all, from the bottom, to see how he deals with his subordinates. If all prospective chief executives of corporations could be examined from these three angles, it is probable that many mistakes might be avoided, and some part of this major problem of management might then be solved.

### Selection Not Easy

At this point it may be well to utter a caution against the idea that there is any royal or easy road to selection of a good chief or junior executive. And it is equally necessary to caution against the idea that any man has a special, instinctive faculty for choosing other men.

I have observed, that while there are differences between men in their ability to judge others, the man who claims that he has a special ability in the selection of subordinates is usually the man who has it the least; whereas the man who really has some special talent in this direction will freely confess that he approaches a new choice each time with fear and trembling, and succeeds in the majority of cases only through plain hard work—by investigating the candidates up and down and sidewise, and by balancing and weighing every obtainable item of information or judgment bearing on their qualities.

In an established organization, this question of the selection of executives is tied intimately to the day by day handling of the existing staff. The live and growing enterprise will build and develop its own executives and will

train them by example rather than by rule and precept.

Yet, even with the best of intent there are special difficulties. The thoroughly wise executive may realize that, however convinced he is of his own fairness in dealing with his organization, there will still remain the danger that he is failing to learn necessary truths, or that one or more "yes" men—subtle masters of the art of flattery—may be perverting his judgment. And, with all this realization, the executive may still not know how to break through the intangible barriers that deny him the full confidence of his working staff.

To resolve this situation there is, however, an obvious and tested procedure, which is to take advantage of the fact that while good men may hesitate to criticize their associates they will not hesitate to give praise when asked to do so. Let the executive, therefore, ask his immediate assistants, who among their number are most thoroughly respected by the subordinate officers for intelligence, fairness, and executive ability. Let him ask, also, which men among those so named can be most certainly counted upon to tell even disagreeable truths when asked to do so. Then let him consult privately from time to time, and according to the proprieties in each case, with the individual members of this selected group on the problems of promotion and discipline and management that exist, or may arise, in the organization. If this rather simple and homely procedure is followed with due judgment, and if the chief executive does not retaliate on those who speak out plainly, the steady building up of organization quality and morale is assured.

I have now touched upon the three main aspects of large scale business and the new science of management.

From the standpoint of economic usefulness and of adaptation to the needs of an orderly national development, I have stated by belief that we are evolving soundly, and that, step by step, with some public regulation and with a larger element of internal and trade association control, large scale business will arrive in due course at its permanent justification.

From the standpoint of the great mass of working employees, I have stated my further conviction that management has already made enormous progress, and that the problems still remaining, serious though some of them

are, will ultimately and not too slowly find their proper solutions.

This has brought us, in turn, to what I believe to be the final and greatest of management problems, that of safeguarding and developing the human element in the upper ranges of corporate organizations.

From the standpoint of the heartiest believer in democratic theories, no apology need be made for concentrating attention on this particular angle of the situation. The whole progress of civilization, and the intimate welfare of the lowliest worker, depend upon conserving and developing the qualities of leadership. The business and industrial leaders of today are the sons of the workers of yesterday. The problem is not of one class, but of the whole people.

The solutions of all management problems must be subject, in the end, to the acid test of profits and economic efficiency. Yet the balance in business and industry, from a purely financial standpoint, is very evenly struck between constructive and human-minded management and management that is purely self-minded and acquisitive. A small weight in the pan, a little pressure of public opinion, the building up of a few new checks and balances, may swing the beam decisively in favor of constructive management and against the purely acquisitive type. The final justification of management, as a science, will come when it thus adds to its economic usefulness a proven contribution to the development of human individuality and character.

This is an obligation of, but not a burden upon business—since in the long run the rule will hold, even now, that the business organization that safeguards the human element, that builds real men, will, with equal certainty, safeguard and build real profits. This, too, is the promise that the new science of management holds forth to those who would be "statesmen in industry"—to that 50 per cent, at least, of business and industrial executives who look on their work with an artist's eye, as something more than mere money making. For without this touch of practical idealism, all labor is tribulation, and all effort is vain desire.

## Hindsight Proves Foresight

(Continued from page 28)

1931 compares with the corresponding month of 1930.

Every one of the twenty-eight graphs presented in this article may be

approached in the same way. Many of the graphs of a more specific nature, such as building permits in leading cities, petroleum output, silk consumption, cotton consumption, etc., will give credit and financial executives an immediate comparison of how business in their particular industry is for each month as compared with the corresponding month in 1930.

Every credit executive who wants to keep up-to-date will find it an invaluable aid to make a month by month comparison of the number of business failures and the liabilities of failed concerns. The charts on bank clearings,

stock sales, bond prices, dividends and other financial trends are of the utmost importance to the executive who wants to coordinate his financial management policies with the general month by month financial trends.

Why not make your own graphs of the particular indices that interest you the most and develop them throughout 1931 for your own information and use? Any figures that you are not able to procure may be obtained by writing to CREDIT AND FINANCIAL MANAGEMENT and they will be made available to you as soon as they can be obtained.

# What Kind of SERVICE Do We Render?

Our principal service is to protect your resources against abnormal, unforeseen bad debt losses. We do this with a scientific degree of efficiency.

But our policy-holders experience numerous additional benefits, through carefully-planned "service facilities." First is our Collection Service, which has acquired a nation-wide fame. Then, specifically, our "10-day free service," our "salvage service in bankruptcy cases," our exceptionally prompt and courteous adjustment service, etc. Through these collateral services, many policy-holders have derived benefits in excess of the cost of the premiums paid.

## American Credit Insurance

A nationally-known storage battery manufacturer writes: "It is a source of great relief to know that we have at our beck and call so efficient, conscientious and agreeable an organization as yours. We are particularly well pleased with the effectiveness of your Service and Collection Departments, located so advantageously (in 14 cities), throughout the United States and Canada."

Once you've really investigated all the details of American Credit Insurance, you'll be amazed at the benefits accruing through one of our policies.

**The AMERICAN  
CREDIT-INDemnITY Co.**  
OF NEW YORK J. F. McFADDEN, President

Offices in All Leading Cities

New York, St. Louis, Chicago, Cleveland, Boston,  
San Francisco, Philadelphia, Baltimore, Detroit,  
Atlanta, Milwaukee, etc.

In Canada—Toronto, Montreal, etc.

O22R1

FEBRUARY, 1931

When writing to American Credit Indemnity Co. please mention Credit and Financial Management



## One Month's Convictions

Fraud Prevention Department of the National Association of Credit Men

NOVEMBER, 1930

| CASE   | INDIVIDUAL                             | CHARGE   | SENTENCE   |
|--|--|--|--|
| 1. Gershbein,<br>2179 Third Ave.,<br>New York City<br>(Retail furniture)   | Gershbein, Isadore<br>Gershbein, Harry | Concealment of Assets                          | 4 weeks and 3 yrs. Parole<br>4 weeks and 3 yrs. Parole                   |
| Burlington Frocks, Inc.<br>252 W. 37th St.,<br>New York City<br>(Dresses)  | Bruman, Samuel                         | Issuance of a false<br>financial statement     | 30 days  |
| Louis Goldstein,<br>104 S. 4th St.,<br>Brooklyn, N. Y.<br>(Jobber, cotton, silk,<br>rayon yarns)                     | Goldstein, Louis                       | Concealment of Assets<br>and Conspiracy        | One year and one day   |
| William Albert,<br>245 Ninth Ave.,<br>New York City<br>(Retail men's & wo-<br>men's furnishings, dry<br>goods, etc.) | Albert, William                        | Concealment of Assets<br>and Conspiracy        | Three months   |
| S. Khoury Company,<br>30 East 33rd St.,<br>New York City<br>(Negligee & kimonos)                                     | Khoury, Aref                           | Use of the mails in a<br>scheme to defraud     | Six months   |
| Nathan Kaplan,<br>Covington, Ga.<br>(Dry goods & clothing)   | Nathan Kaplan<br>Karl Kaplan           | Concealment of Assets<br>Concealment of Assets | 2 years. Placed on proba-<br>tion for 3 years                            |
| Napoli Flour Company,<br>2308 15th St.,<br>Tampa, Florida<br>(Flour)   | A. S. Williamson                       | Use of mails to defraud                        | 17 months  |
| Lesser's Department Store,<br>178 E. Washington St.,<br>Suffolk, Va.<br>(Department store)                           | Jack Gussow                            | Use of mails to defraud                        | Five years   |
| Slate Bros.,<br>Minneapolis and St. Paul,<br>Minn.<br>(Hats & men's furn.)   | Leo S. Slate<br>Morris S. Slate        | Concealment of Assets<br>Concealment of Assets | 4 yrs. Leavenworth<br>Penitentiary<br>4 yrs. Leavenworth<br>Penitentiary |
| City Candy Co.,<br>St. Paul, Minn.   | Hamper K. Tufenk                       | Concealment of Assets                          | (To be sentenced later)  |
| A. Nicholas,<br>Yazoo City, Miss.<br>(Gen'l mdse.)   | A. Nicholas                            | Concealment of Assets                          | 3 yrs. Atlanta Penitentiary  |
| Penny Back Stores Co.,<br>Chattanooga, Tenn.<br>(Gen'l mdse.)  | Earle W. Pickering                     | Violation Postal Laws                          | (To be sentenced later)  |
| Walter Bell, d.b.a.,<br>Liberty Bell Bicycle Co.,<br>Kansas City, Mo.<br>(Vehicles)                                  | Walter Bell                            | Concealment of Assets                          | 30 days Newton County,<br>Mo. Jail                                       |
| Freds' Inc.,<br>Amarillo, Texas<br>(Jewelry)   | Isadore Fred                           | Concealment of Assets                          | 14 mos. Leavenworth<br>Penitentiary                                      |
| Torrington Dry Gds. Co.,<br>Torrington, Wyo.   | Roy McPherson                          | Use of mails in scheme<br>to defraud           | One year County Jail;<br>granted probation                               |

Total of 1044 Convictions from June 1, 1925 to November 30, 1930.

## Addresses Wanted

ABBOTT, M., t. a. Lunevill Importing Company, 156  
15th Avenue, N. Y. C.  
ARTHUR DRUG COMPANY, Jacob Arthur or Maurice  
Durkin, 16 Amsterdam Avenue, N. Y. C.  
BERGE, BRYON T., formerly prop. of the Petroleum  
Service Company, Grand Forks, N. C. Associated  
with Gillies Hdwe. Company, Madison, Wisc.  
BRANSCOM, A. E., formerly in Pueblo, Colo.  
BURDICK, W. J., 1596 W. 26th Street, Milwaukee,  
Wisc.  
BURFORD, E. C., formerly of Pasadena, Calif.  
BUTLER, P. J., formerly druggist in the Marion Hotel  
at Hannibal, Mo.  
CARTER, A. T., Nick's Motor Inn, Black Mountain,  
N. Carolina.  
CHRISTIAN, E. A., Kansas City or Leavenworth, Kans.  
EDELSTEIN, SIDNEY M., care Kelly Battery Com-  
pany, Norfolk, Va.  
EHLICH, LOUIS, t. a. Lou-Ann Frocks, 265 West  
37th St., N. Y. C.  
EVERWEAR RAINCOAT MFG. CO., 50 West 17th  
St., N. Y. C.  
FAIN, S., 732 E. 180th Street, N. Y. C.  
FISHER, Max, and the Fisher Woolen Company, 64  
Wellington Street, West Toronto, Canada.  
GALLUP, BURTON A. (MRS.), Mrs. Everetta Bray or  
Mrs. Everett Bray Gallup, formerly located at Dal-

las, Texas, also Springfield, Mass., reported living  
in Paris, Texas, after leaving Springfield.  
GODDARD, HAROLD M., Lynwood or Los Angeles,  
Calif.  
HEMM, ARTHUR W., Oswego, Illinois.  
KARALLAH, FADEL, Fox Frock Shop, formerly lo-  
cated at 4046 Sheridan Rd., Chicago, Illinois.  
KENNEDY, JAMES L., Hedley or Dallas, Texas.  
MARTENS, HENRY, formerly located at 5045 Lincoln  
Avenue, Chicago.  
McCALL (Miss), McCall Studio, 800 6th Avenue,  
New York City.  
McMICHAEL, G. E., COMPANY, Plain Dealing, La  
MORTNER, J. H., formerly c/o Van Wyck, Mason &  
Company, 180 Madison Avenue, N. Y. City.  
NEWTON, C. W., formerly located at Tioga, Penn-  
sylvania.  
NEWTON, H. G. (Dr.), Palmyra, Nebraska, or 158  
Hoffman Avenue, Trenton, N. J.  
SASSO, VITO, formerly at 525 So. Clinton Avenue,  
Trenton, N. J., reported to be in Brooklyn.  
SNYDER, W. C., formerly of Oxford, Iowa, R.F.D.  
VANDERHEID, GEORGE, formerly of Ames, Iowa,  
now supposed to be in Texas or New Mexico.  
VASILATOS, NICK, formerly located at 1122 Leland  
Ave., Chicago.  
WEATHERFORD, C. M. (Mrs.), widow of C. M.  
Weatherford, formerly druggist at 323 South Main  
Street, Hannibal, Mo.  
YETTER, FRED, 5515 Greenwood Ave., Chicago.

## Winged Words

(Continued from page 31)

this survey. A great many of these telegrams make no direct demand for payment of an over due account but ask instead for a reply to letters which have been sent. A typical telegram is: "See our letter (date). When may we expect consideration? Please wire reply collect." Another: "When may we expect reply our letter (date)? Wire reply". This is a tactful and circumspect method of intimating that payment is urgently desired and yet does not broadcast to the world the fact that the receiver of the telegram is being dunned for payment.

An executive who says that he has found the telegram quite valuable in the collection of past-due accounts gives the following practical hints for making the collection telegram as effective as possible: "The word 'urgent' at the end of a collection letter is particularly effective. Just why that is we do not know, but it's true in our experience. . . . By writing immediately after the name of the debtor to whom the telegram is addressed the words 'Don't D. W. R.', in other words, 'Don't Deliver Without Receipt', you may insure delivery of your telegram by messenger."

Collection letters are often sent out in series. The series are graded in intensity ranging from a courteous demand for payment of a slightly past-due account to a warning that an account, long past due, is about to be turned over to an attorney for collection. CREDIT AND FINANCIAL MANAGEMENT was interested in learning if such a procedure was followed by credit executives when sending collection telegrams. In general, the response on this point was negative—no regular campaign of collection by telegram was followed except in a few cases. One progressive credit executive, however, contributed several series whose cumulative force should make any delinquent debtor pay up. Here is one series:

"Why no response our Air Mail letter November eleventh."

"Check promised letter November twenty-fourth not received. Mail immediately."

"Impossible to grant additional extension your account mail check today."

"Account will be placed with attorney unless check mailed today."

CREDIT AND FINANCIAL MANAGEMENT

Another credit executive finds that he gets good results by using a telegram as the climax of a series of collection letters. He explains: "My experience has been that using a series of letters, getting a little more forceful each time and then using the telegram as a climax, usually brings results, not always the amount in full, but at least a promise; and of course, this opens the way for another series of letters."

This survey is by no means the final word on the subject of collections by telegram. There are no doubt some angles of the subject that have been overlooked in this summary, others which have not received the proper emphasis. Readers are encouraged to send in their views and any new material which comes into the editorial office will be published in a supplementary summary.

## Comments on Collections and Sales Conditions

(Continued from page 34)

slight decrease. It is believed that this falling off is due to the usual post-holiday slump, which, coming on top of poor business of the past is being felt considerably. The liquidation of past due indebtedness seems to be the predominant feature of the current credit situation.

**NEW YORK:** Some improvement noted since first of year. Holiday sales were good in spots. Prevailing attitude more optimistic.

**PENNSYLVANIA:** The continued "shut-down" of Railroad shops in Altoona has made collections tighter each succeeding month. It is rumored that there will not be a "shut-down" in January. Since August the Pennsylvania Railroad has been closing its shops one week a month. They employ approximately 12,000 men. Since the first of the year, many business men throughout Philadelphia, when questioned, have reported that 1930 was a very satisfactory year. Collections in Philadelphia for this month come near the rating of "good."

**RHODE ISLAND:** A slight improvement in Collections is reported but sales have dropped to "Slow". Factories are operating only on part time and many have shut down completely.

**TEXAS:** An increase in sales is noted over the report of last month from Dallas. The Spring market season opens February 2, and it is believed that fair business will be done by millinery and

ready-to-wear firms. The deluge of failures will be over by March and it is believed that conditions will be brighter from then on. Both collections and sales are spotty in the Fort Worth section, although it is felt that business in general is on the upward trend. Everyone is becoming optimistic and with a good crop in this section, it is expected that conditions will be back to normal within a few months.

**WEST VIRGINIA:** Conditions remain much the same with but a few failures since the first of the year. There does not appear to have been any improvement in collections, but there is apparently a better feeling as to future conditions. Sales have increased some, though not to any great extent.

## Credit Survey of the Paint Industry

**W**HEN The National Paint, Oil and Varnish Association decided that a survey to determine the bad debt losses in that industry was necessary, they concluded that it could be most effectively carried out by the N. A. C. M. Over the signature of their General Manager, Mr. George V. Horgan, a letter is being addressed to their members (approximately 1,500) seeking the following information for compilation by the Research Department of the N. A. C. M.: annual sales total, total of receivables at the end of year, and total annual bad debt losses. All these figures are to be supplied for the past five years, 1926-1930 inclusive.

This co-operation with the National Paint, Oil and Varnish Association should result in the most comprehensive survey ever secured from an industry. N. A. C. M. members, who are in this industry, are urged to co-operate by forwarding their figures promptly.

It is the desire of Mr. Horgan to use the result of this survey as a basis for preparing a program on credits and co-operation with the N. A. C. M. for the use of the thirty-seven local paint clubs during April. Mr. Horgan is asking the *Paint Trade Journal* to give publicity to this survey since he is convinced that the results will be of great value to the industry.

## Bankruptcy Laws and Practices in Other Countries

**T**HE Journal of the National Association of Referees in Bankruptcy for January gives a comprehensive analysis

of Bankruptcy Laws and Practices in England, Germany, Italy, Mexico, Japan, Sweden, Norway, the Netherlands, Denmark, Cuba, Switzerland and Belgium. This issue of the Journal should be of great interest to credit executives and everyone interested in our bankruptcy legislation and problems. It is suggested that any reader interested in procuring a copy of this number should write to the National Association of Referees in Bankruptcy, in Detroit, Michigan.

## The Road that Passes the Morgue

**A** GOOD lawyer would not think of practicing his profession without being a member of the American Bar Association and subscribing to its high standard of ethics.

The wealth of this nation is estimated to be in excess of three hundred billions of dollars that has come to us through our natural resources and the regular channels of trade. Your ledger carries its portion of this volume of trade, and each credit man and his firm carries the responsibility of keeping that business on an ethical and safe basis.

Lack of confidence, lack of interchange information and fraud find their answer in the millions of dollars of bad debts and distressed merchandise. Back of the intelligent use of credit and safe merchandising is the power of the National Association of Credit Men. In spite of our blunders, in spite of what might seem to be a necessity for economies in the operation of this department is the ever present force of the principle of mutual confidence, which operates to the end that the highest standard of business practices may prevail.

The use of credit is a science. The novice speculates, takes a chance, flounders around in the morass of uncertainties, wastes his capital, and ultimately lands in the bankruptcy courts, adding his bit to the great total of national waste. Hundreds of well organized and well managed distributors are annually forced out of business simply because other units in the great structure of American business failed to realize that the power of the ledger account ought to be used for constructive rather than destructive purposes.

How different is the picture resulting from the proper use of the science of credit. The mutual and confidential exchange of credit information, the proper balancing of values and the certain and definite results that come from the acceptance of business that in the end will add to the net earnings at the end of the year, the fostering of the desirable distributor, the elimination of bad accounts and the reduction of the loss in distressed merchandise.

Strong and effective as may be the power of the sales organization, stronger and more effective is the power of the credit man who puts upon the ledger the record of the transaction that ultimately will result in a gain or loss. Right and fact must be the principles that serve as his guide. These principles are the foundation on which the National Association of Credit Men builds, and there is no unit in this great family of business institutions who will want to be outside its membership, when they realize the invaluable part it plays in the happiness of us all. No other small investment of capital can bring so great a return. It is the road that passes the Morgue.

—By T. E. Reynolds.





# COURT DECISIONS AND WASHINGTON NOTES



## ASSIGNMENT OF INSURANCE POLICY TO WIFE. CLAIMS OF CREDITORS. (W. VA.)

The husband, acting in good faith, assigned policies on his own life to his wife, subject to revocation upon notice. He died without revoking the assignments and his creditors now demand the proceeds. *Held* that the benefits under the policies became vested in the wife upon the death of her husband and the proceeds are not subject to the claims of creditors, except to the extent that the premiums paid by him while insolvent, within the period of the statute of limitations, exceed a reasonable amount. *Clay County Bank et al. vs. Wilson et al.* Supreme Ct. of Appeals. W. Va. Decided April 1, 1930.

\* \* \*

## CONTRACT. SERVICES. ASSIGNMENTS. PERFORMANCE. (CALIF.)

In action for labor and materials, where defendants entered into a contract with one plaintiff to have certain repairs and alterations done upon a building owned by them, and the contract was assigned to the plaintiff who performed the work, and the work was done in a good workmanlike manner and the prices charged were fair and reasonable, *held* that, irrespective of the legality or lack of legality of the assignment the original contracting plaintiff was responsible to defendant under the contract and defendants were responsible to him, or his assignee, and defendants cannot complain that the work was done by a person other than the original contracting party. *Wiseman and ano. vs. Sklar and ano.* Dist. Ct. of Appeals. 2nd App. Dist. Calif. Decided March 6, 1930.

\* \* \*

## AGENTS. FIDUCIARY CAPACITY. COLLECTION OF PREMIUMS. (MICH.)

Frank F. Glerum and James L. Spencer were co-partners operating a private bank. Glerum was agent for the Home Insurance Company. Spencer was agent of insurance companies. The partnership itself was agent of insurance companies. The bank became insolvent, and Michael H. McHugh was appointed receiver. The Home Insurance Company filed a petition setting up that Glerum was one of its agents and had collected premiums; that the bank held the same in a fiduciary capacity as trustee for petitioner; and such deposits were not subject to the claims of general creditors of the bank. *Held* that under the statute, an insurance agent receives payment of premiums in a fiduciary capacity. The bank received the premiums from the insurance agent for deposit with knowledge of their trust character. The receiver for the bank stands in relation to this deposit in the same position as did the bank. Decree for plaintiff. *Glerum vs. Spencer.* Supreme Ct. Mich. Decided June 2, 1930.

## CHATTEL MORTGAGE. FILING. CONSTRUCTIVE NOTICE. (OKLA.)

*Held* that one who purchases property which is subject to a mortgage, of which he has constructive notice or knowledge, takes title in hostility to the prior mortgage, and he does not become a subsequent purchaser "in good faith for value" as against that mortgage by the failure of the mortgagee to refile his mortgage thereafter in the county to which the property has been removed, as provided in C. O. S. 1921, section 7651. Sections 7650 and 7651, C. O. S. 1921, give constructive notice, of a mortgage filed in the county where the mortgage is taken and the property is then located, in a new county to which it is permanently moved for a period of 120 days from the time it reaches the new county. One who purchases or accepts a mortgage thereon during that period does so under constructive notice of the mortgage with all of its indentments. *Morgan vs. Stanton Auto Co. et al.* Supreme Ct. Okla. Decided March 11, 1930.

\* \* \*

## USURY. REPAYMENT OF LOAN IN INSTALLMENTS. (CONN.)

Defendant borrowed \$1,100 of the plaintiff, to be repaid in fifty weekly installments of \$22 each, with a penalty of five cents a week for each dollar she was in default in the payment of any installment, and for the making of this loan the plaintiff charged \$88. *Held* that it is obvious that the plaintiff charged more than the amount allowed by law. The loan being one to be repaid in installments, so that the amount due upon it would steadily decrease, until, during the last week, only \$22 was due, the plaintiff was not entitled to charge interest upon the whole loan for the whole time, but only upon such sums as remained due from time to time. Even at the rate provided in the statute as the maximum for such a loan, twelve per cent, it would have been entitled to charge as interest not more than \$65. *Columbus Industrial Bank vs. Rosenblatt et al.* Supreme Ct. of Errors. Conn. Decided March 3, 1930.

\* \* \*

## DECEDENT ESTATE. BANK BOOKS. JOINT ACCOUNT. PRESUMPTION OF GIFT. (MASS.)

Petition by the administrator of the estate of Thomas C. O'Connor for adjudication as to the ownership of numerous deposits in savings banks in this Commonwealth. The issues raised were contested on the one side by certain heirs at law of the intestate and on the other by Belinda M. O'Connor. The money represented by the bank deposits was accumulated by the intestate. He was pastor of a church and his sister Belinda had been his housekeeper. She had for many years sacrificed herself and her future for the intestate and had given him great assistance in his work. For several years before his death there had been two groups of bank

books, group A and group B. All these deposits were in the names of the intestate and/or Belinda M. O'Connor. Being afraid that the books might be stolen, the deceased went to the South Adams Savings Bank and rented a safety deposit box in the name of Thomas C. O'Connor or Belinda M. O'Connor. The bank books comprising group A were put by intestate in this safety deposit box and remained there until his death. The bank books in group B were in the possession of Belinda M. O'Connor, kept by her at her home. As to these the lower court found "as a fact that the accounts mentioned in Schedule B belong to Belinda M. O'Connor and were in her possession at the time of the death of the decedent." As to the deposits comprised in group A the finding is categorical to the effect that they were given by the deceased to his sister several years prior to his death, that the gift was discussed between them and their friends, and that she thanked him for his generosity. *Held* that these facts are sufficient to show a completed gift. The terms of the deposits are consistent with the gift. The circumstance that for reasons of safety the books were removed from the possession of the sister and placed in a safe deposit box in a bank to which both the deceased and his sister held a key does not as matter of law militate against the effect of the prior gift. As to group B there is the additional factor that the books were delivered to Belinda as gifts and were continuously kept by her in her own custody. *Brodrick vs. O'Connor et al.* Supreme Jud. Ct. Mass. Decided May 27, 1930.

\* \* \*

## TRADE MARK. INFRINGEMENT. UNFAIR COMPETITION. (MO.)

In this case two causes of action are joined, one for alleged infringement of a registered trade-mark, the other for alleged unfair competition. The Ironite Company is the owner of the registered trade-mark involved, having it by assignment from its originator, one John M. Rauhoff, who applied for its registration in the United States Patent Office February 18, 1911. It was registered October 24th in the same year. The trade-mark consists of the word "IRONITE." It was registered as a trade-mark to be used for a composition to be applied to cement and concrete structures for the purpose of rendering the same proof against the absorption of water or moisture. The defendant Kelley is a resident of Missouri and is a competitor of the Permanent Waterproofing Company, the Ironite Company's licensee. The defendant in the conduct of his business as a water-proofing contractor represented to his clients that he did waterproofing by the "Ironite" process and used "Ironite" for waterproofing. He did not obtain the waterproofing composition which he applied from the Ironite Company. He did obtain it from one of the competitors of the Ironite Company, The Truscon Laboratories of Detroit, Michigan. *Held* that there was no

showing that the defendant himself had anything to do with placing the word "IRONITE" on any of the receptacles containing the waterproofing composition used by him or upon any containers of any kind containing any such waterproofing composition. It follows that the defendant has not infringed the copyright of the Ironite Company. However it seems to be incontrovertible that the defendant was guilty of unfair competition with the plaintiffs. It is admitted that "IRONITE," whether used in connection with the product or the method of applying it, suggested to product and process of plaintiffs. When the defendant represented, as he did represent, that he was using "IRONITE" in his waterproofing work the natural effect was to lead those with whom he was dealing to believe he was employing the product of plaintiffs. It follows that the defendant had no right to use the word "IRONITE," and in so doing he was guilty of unfair competition and plaintiffs are entitled to damages on that account. *Ironite Co. and ano. vs. Guarantee Waterproofing Co. and ano.* U. S. Dist. Ct. Western Dist. of Mo. by Otis, D. J. Decided January 29, 1930.

#### INSOLVENCY OF BANK. RIGHT TO RECOVER SPECIAL DEPOSIT. (OKLA.)

Where a Bank Commissioner, pursuant to law, takes charge of an insolvent bank for liquidation, held that he takes its assets, subject to any trust impressed upon them. A special deposit in a bank, to be held to further transactions between the bank and a third person and to be returned to the depositor upon the completion of the transaction, unless consumed thereby, constitutes a trust fund which depositor may reclaim in the hands of the State Bank Commissioner in preference to general creditors. *Shull et al. vs. McMurray.* Okla. Supreme Ct. Decided December 9, 1930.

#### COLLECTING BANK. TRUST FUND. AGENCY. (NEBR.)

Held that a statutory provision to the effect that a collecting bank "may forward such instrument for collection directly to the bank on which it is drawn", by fair implication, authorizes the drawee bank to act as agent of the sender and the assumption by it of a double capacity in the collection, payment, and discharge of instrument. Where such drawee bank then possesses cash in an amount sufficient to pay the instrument cancels the same, and debits the depositor, in order to complete the transaction it is required to allocate a sufficient amount of cash, which amount thereafter becomes a trust fund. But the acceptance by collecting bank of an instrument is presumed in law to be on condition that the same is good; if dishonored, the rights of parties as existing prior to issuance of the instrument are unaffected. *State ex rel Sorensen vs. Nebraska State Bank.* Nebr. Supreme Court. Decided January 7, 1931.

#### FALSE FINANCIAL STATEMENT. DISCHARGE. (N. Y.)

Hearing on exceptions to specifications. Trustees of the above-named bankrupt and a creditor have filed identical specifications in opposition to the discharge of this bankrupt; the Fifth specification contends that the bankrupt obtained money and property on credit by making a written, materially false statement respecting his financial condition; and that he was the president and sole stockholder of the corporation known as H. Licht, Inc., from which he withdrew substantial funds, and used the corporation as a cloak and guise for his own individual transactions. The statement is said to have been false in that it set forth a net worth on the part of the corporation of above \$400,000, whereas there was an actual deficit of substantially that same amount. The bankrupt demurred to the foregoing specification. Held that Section 14 (b) of the Bankruptcy Act, as amended in 1926, pro-

vides that, where the bankrupt has "(3) obtained money or property on credit . . . by making . . . a materially false statement in writing respecting his financial condition", the discharge may not be had. The statement by this bankrupt of the condition of H. Licht, Inc., was a statement of his financial condition to the extent that the corporation was an element of his property holdings. In the belief that honesty and fair dealing are equally important whether the property covered by the statement be held in a corporate guise or by individual title, the exceptions to the specification in question will be overruled. *Matter of Licht.* U. S. Dist. Ct. E. Dist. of N. Y. Decided December 10, 1930.

#### SALE. RECLAMATION. (ALA.)

The appellant filed its petition in the court below to reclaim from the trustee in bankruptcy a number of automobile tires and tubes in the possession of a bankrupt. The petition was denied. The claimant, who was a manufacturer of automobile tires and tubes, entered into a written contract with the bankrupt, who was a dealer in such merchandise, for the alleged storage and distribution of its products. The written instrument was termed a warehousing agreement and, according to the appellant, the delivery of the goods constituted a bailment. The contention of appellee is that the transaction amounted to a sale. In operating under the contract the bankrupt had exclusive custody of the property and exercised sole and complete ownership over the proceeds. Held that the transaction was not a bona fide bailment but constituted a sale. The alleged warehousing agreement was a subterfuge, attempting to disguise the real transaction between the parties, and constructively fraudulent as to creditors. The real characteristics of a sale are not changed by calling it a bailment. The written instrument was evidently intended to provide security to the claimant for the collection of the debt due it by the bankrupt, and, not having been recorded, it is void as to creditors under the statutes of the State of Alabama. Being void as to creditors, it is void as to the trustee in bankruptcy who is vested with all the rights, remedies, and powers of a creditor. Decree for appellee affirmed. *Samson Tire & Rubber Co. vs. Eggleston.* U. S. C. C. A. 5th Cir. (Ala.). Decided December 16, 1930.

#### CONDITIONAL SALE. BAILMENT LEASE. (PENNA.)

Petition for the reclamation of nine knitting machines which had been delivered to the bankrupts under a written agreement. The question involved was whether the machines were held by the bankrupts upon bailment or upon conditional sale. The agreement under which the machines were delivered provides that the Jacquard Company leases and rents the machinery in question to Rex Knitting Mills for the term of thirty months at a rental of \$18,400. Rex Knitting Mills agrees to keep the machinery in good repair, and agrees to keep it insured for the benefit of the Jacquard Company. In case of default the Jacquard Company may repossess and is allowed the usual remedies. Finally Rex Knitting Mills is given an option to buy the machinery "within thirty days from the date of the last payment of rent", provided all terms and conditions have been complied with. Held that the referee was correct in holding that the agreement effected a conditional sale and not a bailment. This is clearly a matter in which the law of Pennsylvania governs.

#### DRAFTS. COLLECTION. GARNISHMENT. (OHIO.)

The only question is whether or not the First National Bank of Troy, Alabama, is the owner of the money collected by the First National Bank of Cincinnati. One Brown drew two drafts payable to the Troy bank. These drafts were sent to the Cincinnati bank

for collection. The Cincinnati bank made the collection, and while the money was in its possession, V. B. Kirkpatrick instituted attachment and garnishment proceedings against the funds in the possession of the bank, on a claim which he alleged he had against Brown. Held that the evidence discloses that Brown's account was credited with the amount of the deposit, and thereupon the relation of creditor and debtor arose between Brown and the Troy bank, and not that of principal and agent. The general doctrine that upon a deposit being made by a customer, in a bank, in the ordinary course of business, of money, or of drafts or checks received and credited as money, the title to the money or to the drafts or checks, is immediately vested in and becomes the property of the bank, is not open to question. The bank acquires title to the money, drafts, or checks, on an implied agreement to pay an equivalent consideration when called upon by the depositor. Judgment for the Troy bank affirmed. *Kirkpatrick vs. First National Bank of Troy.* Ct. of Appeals. Ohio. Decided June 16, 1930.

## WASHINGTON NOTES

### Business Service Shows Results in Louisville

That Business Service pays is amply demonstrated by the results of the Louisville Grocery Survey made by the Department of Commerce. A visit to several establishments in Louisville a year and a half after the survey brings out the improved situation of practically all of the 26 retail stores intensively analyzed in that survey, as well as that of the wholesalers whose establishments were studied, says *Domestic Commerce*. The improved business of wholesale grocers is attributed to their concentration on profitable lines, revision of sales territories, and closer co-operation with their retail outlets along lines indicated by the survey.

Appearance has been markedly improved in most retail stores. Several have been completely remodeled since the survey, with new fronts, modernized shelving, new lighting and central island displays. Favorable results were reported in each case where remodeling has been effected, increases in sales amounting in some cases to as high as 35 per cent.

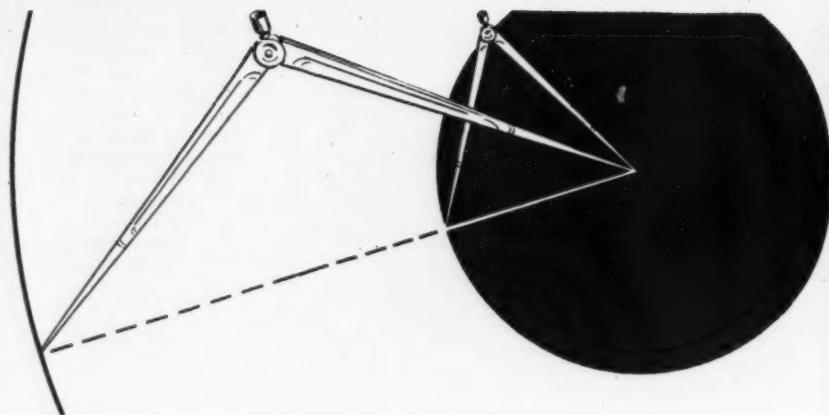
One of the most striking contrasts observed from the situation a year and a half ago is in the appearance of the merchandise on the shelves. The slow-moving merchandise with slight consumer demand has been largely eliminated and the stocks are made up almost entirely of 100 per cent. active items. Their fresh appearance on the shelves is the best proof of this fact. This has not only reduced the investment in inventory but has made possible a greater proportional investment in the active items, which the stores are buying in somewhat larger minimum-size orders to cut down the cost of handling and checking broken-case lots.

There has been a general improvement in operating methods. Some of the stores are keeping detailed records, as a result of the stimulus the survey has given to straight thinking on merchandising problems. Merchants in most cases are maintaining and in some cases exceeding their former profits. In establishments where volume has been affected by the general depression, operating expenses have been pared to meet the loss.

Other retail stores in the city than those where special studies were made also show a favorable condition in regard to appearance and activity of merchandise stocks. Wholesale distributors agree that, as a result of the survey, there has been a very definite and decided improvement in the whole Louisville retail trade, which is noticeable within a 50-mile radius of the city.



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